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Thomas Main

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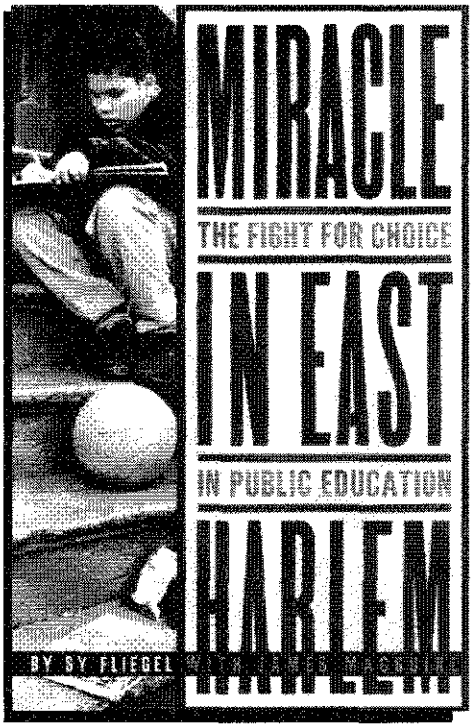
THE FIGHT FOR CHOICE IN PUBLIC EDUCATION



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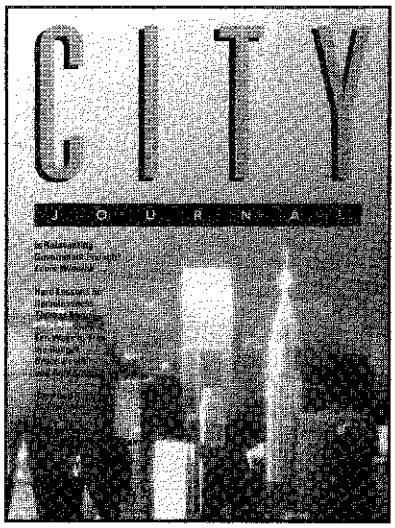
David Osborne and Ted Gaebler's *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* took the country's political classes by storm. It became the "bible" of the Clinton campaign and it was widely admired by Republican proponents of the "New Paradigm," a set of antibureaucratic proposals for government reform. In Washington, *Reinventing Government*'s recipes for more-responsive government have kept it at the top of the local best-seller list more than a year after its publication. And it is hard to pick up a magazine or newsletter of government or business that doesn't debate government policy in terms of the categories the book lays out.

Those categories, by the way, are drawn in part from the work of two contributors to the *City Journal*, E. S. Savas, whose article "Getting Around New York" appears in this issue, and Louis Winnick. It was Savas who supplied the book's key concept in a now-famous quote: "The word *government* is from a Greek word, which means 'to steer.' The job of government is to steer, not to row, the boat. Delivering services is rowing, and government is not very good at rowing." It is only fitting, then, that the *City Journal* publish the first fundamental critique of *Reinventing Government*, Winnick's article "Is Reinventing Government Enough?"

Winnick, an old hand at attempted innovations, shows that many of the Osborne proposals have already been tried and found wanting, while many that are successful on a local level cannot be



duplicated. Most importantly, Winnick argues that it is policy, not process—the overreach involved in government taking on too many goals, even more than inefficiency per se—that produces bloated, ineffective government.

Policy innovation is also the subject of Jan Rosenberg and Sol Stern's essay on a pathbreaking private organization called America Works, a company that succeeds at bringing hard-core welfare clients back into the workforce. Welfare reform more generally is the subject of the spirited exchange between *The New Republic*'s Mickey Kaus, an iconoclastic liberal who argues that the government has to put welfare clients to work, and the Manhattan Institute's Michael Horowitz, who doubts that government is capable of carrying out the "tough love" policies needed to make "workfare" successful.

Good government, as Winnick argues, involves owning up to failure. In "Hard Lessons on Homelessness," Thomas Main describes how, faced with failure, the Dinkins administration admirably began to reverse its policy, if not all of its ideas, on homeless families. The administration has been far less flexible on budgetary matters. It continues to cling to a wide array of tasks incommensurate with the city's declining resources. Bruce Bender and Amy Klein provide specific suggestions in "Ten Ways to Trim the Budget" for how to meet the coming costs of Fiscal Crisis II.

What about solving the budget problem by securing more federal aid? Tucker Carlson, in "At Home with Big Government," describes the local government of Washington, D.C., a city flush with federal funds. On a per capita basis, the D.C. government spends more money and employs more people than New York City, while its citizens seem to get even less in return.

Finally, in "Race and Reporting," William McGowan discusses newspaper coverage of the three major racial incidents of the Dinkins administration: the Korean deli boycott and the Crown Heights and Washington Heights riots.

While New York has been preoccupied with racial posturing, cities like Philadelphia, Seattle, and Indianapolis have been thinking about reshaping government. New York is one of the few places where *Reinventing Government* didn't set off an impassioned debate. But having missed the opportunity to debate how to make government more efficient in the face of recession, we may be forced by the impending fiscal crunch to ask the more fundamental question of how large a government we can afford.

— FS

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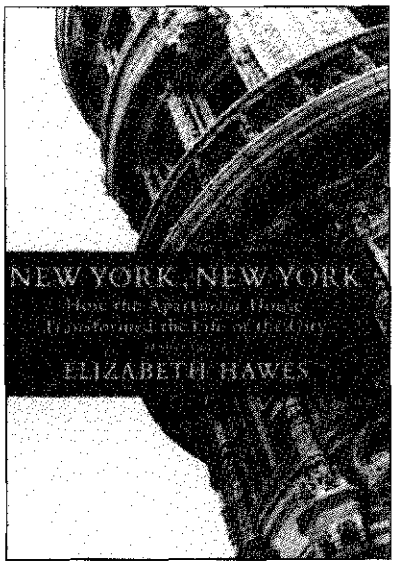
THE RISE OF THE HIGH-RISE

Elizabeth Hawes



Elizabeth Hawes gives a synopsis of her new book, New York, New York *(Alfred A. Knopf), which describes the transformation of New York into a city of apartment dwellers.*

By anyone's measure, the era between the Civil War and the Great Depression was one of the most boisterous in history. Within those years, Old New York became a city; its citizens became urban people; its leisurely ways became "modern life." From the first plainspoken buildings of "French flats" to the last swaggering tower, luxury apartment houses annotated this evolution expressively and comprehensively. In 1869, all upper-class New Yorkers lived in private houses; by 1929, 98 percent of that same population had been stacked up in multiple dwellings. Phenomenal changes had been written in stone.

The saga of the apartment house could be written from an economic point of view: the spiraling cost of living, the need for servants to maintain the regimen of row house life, and the added burden of an income tax after 1913 collaborated with ambitious developers to make the apartment house increasingly attractive. But houses also have cultural, social, and aesthetic dimensions, and the campaign to make the apartment house respectable was a struggle against the stubborn grip of traditional values. Its eventual success with the upper classes, who had the greatest investment in houses and the least inclination to be pragmatic, went hand in hand with the dismantling of the old order.

In 1884, the Upper West Side of Manhattan was still a patchwork of small, sleepy settlements. On West 72nd Street, goats wandered among small truck farms. Constructing the nine-story Dakota, alone on the West Side, was a daring venture for Edward Severin Clark. The most daring aspect of Clark's scheme was the extravagance of his building, which his architect, Henry J. Hardenbergh, designed for the well-to-do. The Dakota ranked with St. Patrick's Cathedral, the Plaza Hotel, and the Navarro as one of the most costly buildings in New York. It was constructed like a fortress, its foundation laid on solid rock. For strength, the walls tapered from 20 inches on the first floor to 16 inches above the sixth; the floors were laid three feet thick.

One look at the Dakota roofline told a passerby that it was not an ordinary apartment house. The two-story copper-trimmed slate roof seemed to break out irrepressibly into a fantasy of expressive features: turrets, towers, chimneys, flagpoles, finials, and windows of every conceivable style,

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size, and shape. Inside, the enormous rooms, the 15-foot ceilings, the one-of-a-kind carved marble mantelpieces bespoke luxury that was unknown even to wealthy householders. Doorways draped with tasseled portieres opened into velvet-hung rooms that opened into other rooms: the voluminous suites made the visitor feel formal and grand. Clark's personal quarters, which had 18 rooms were allocated to the sixth floor in the hope of popularizing upper-story living, and included a ballroom-like drawing room with twin fireplaces and Baccarat chandeliers.

In a single architectural gesture, the Dakota set the character of the West Side. Its grand style and scale invited imitation; its character encouraged company, for it stood there with authority, as if to say, "This is the way the West Side is going to be." Nonetheless, when the first Social Register appeared in 1887, no tenants from the Dakota were to be found in its pages. Those who would take up residence in an apartment house on the West Side inhabited a domain outside the dictates of form and fashion.

At the turn of the century, as the Upper West Side was making itself into a quarter of apartment dwellers, the Upper East Side was still consumed with the building of single-family mansions. The very rich did not wish to live in or even near apartment houses. Restrictive clauses on upper Fifth Avenue and on certain blocks below limited the height and use of new buildings. Architects were hard at work, however, trying to make the apartment house attractive even to millionaires.

The watershed year in apartment history on the Upper East Side was 1910, the year an apartment house began to take shape at 81st Street and Fifth Avenue, in the midst of Millionaire's Row, almost directly across from the Metropolitan Museum of Art. The architects of Number 998 Fifth Avenue were McKim, Mead and White—a reassuring choice to design a big new building in sacrosanct territory. A full-scale neo-Italian Renaissance palazzo of exquisite refinement, 988 was nonetheless not an extravagant apartment house compared with those on the Upper West Side. The difference between a building like the Dorilton and 998 was the difference between opulence and grace. It had the air of an arrivé, rather than a nouveau arrivé.

The fact remained, however, that high society was still conservative on the issue of sharing a roof. But then Elihu Root, who not many years earlier had made upper Park Avenue respectable by building a house at 72nd Street, walked through 988 with a young broker named Douglas Elliman, who pointed out the thick walls and fine pantry and real fireplaces, and offered him a cut rate to sign a lease. Root agreed. A Vanderbilt, a Guggenheim, and a governor, Levi Morton, followed: the conversion of the rich had begun. While the tide did not turn overnight to apartments, it turned over the next decade, building up a new landscape.

A new Park Avenue was also taking shape on the old New York Central Railroad yards—a sooty, steamy, industrial district containing a piano factory, slaughterhouses, and breweries. The street-level tracks were sunk below the ground and the magnificent new Grand Central Terminal erected. By opening day on February 1, 1913, plans had been filed on half the new lots on Park Avenue. Within a decade Park Avenue had become the most prestigious residential address in the city. It was startling to realize that brownstones and mansions had no place in its scheme, for they would not have suited the scale or the style of the street. One had only to imagine how insignificant and eccentric even the Villard Houses might have looked on this wide and panoramic avenue to understand how irrelevant the fine old forms had become. Park Avenue offered a new and revised version of well-to-do urbanity; it spelled out how the modern aristocracy intended to live now: lavishly, privately, but also cooperatively and efficiently, well-served and well-serviced, "near 'business' (and yet not actually, in their homes, on a business street)," as one guidebook put it. The city encircled, but it did not encroach.

The decade of the Twenties saw the biggest building boom in New York history. Luxury apartments rose up, and French flats, family brownstones, and historic mansions were carted off in pieces to the dump. But even at this last stage of transition, apartment architects were mindful of the recalcitrant. When Mrs. E. F. Hutton, for example, was reluctant to sell her townhouse property at 1107 Fifth, the builder agreed to rebuild her 54-room mansion on top of the apartment structure.

The luxury apartment's task had been to ease a new generation out of the quarters built by its ancestors. Hundreds of them built during the Great Era still stand on the streets of New York. They are Queen Anne, neo-Gothic, High and Low Renaissance, moderne. They look like houses, hotels, fortresses and palaces. Together they offer an explanation of the process of urbanization in its most intimate terms—of how New Yorkers learned to live in a city, and of how the city grew up. ■

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THE POLITICS OF SMALL BUSINESS

Laurence Sprung

On April 12, 1993, Mayor Dinkins declared that New York City would crack down on illegal street vendors. "We recognize that illegal vending has become a thorn in the side of small business," Dinkins told a City Hall audience. The following day, the mayor announced another concession to small business: Merchants in some parts of the city will no longer be fined for failing to sweep the street 18 inches from the curb in front of their stores.

Dinkins and other New York politicians are discovering that the city's estimated 189,000 small business owners are a potentially powerful political constituency. Though they have never before managed to unite and become an effective political force, they would constitute a sizable voting bloc—and a very unhappy one. A December 1992 poll conducted for *Crain's New York Business* found that 85 percent of small business owners are dissatisfied with city services, and 80 percent said they intend to vote against Dinkins in November. Only 10 percent supported the mayor.

The dissatisfaction with Dinkins resulted in part from his abandonment of a 1989 campaign promise to push for legislation that would regulate commercial rents by subjecting rent increases to binding arbitration. Steve Null of the Small Business Congress, an influential activist group formed in 1991 to lobby on behalf of small firms, calls the proposal an "antigouging bill." But with rents falling as the real estate market declines, rent regulation would have little immediate effect.

Moreover, it is seriously flawed as a strategy for helping small business. It would benefit one group of entrepreneurs—those with existing leases coming up for renewal. But it would do so at the expense of landlords, most of whom are themselves small businessmen. And, as with residential rent regulation, some of the costs would inevitably be passed on in the form of higher rents for new tenants. "It's really a question of the haves versus the have-nots," says Jack Freund of the Rent Stabilization Association, a landlord group. "You don't see any *prospective* tenants asking for binding arbitration."

Dinkins and his challengers, however, increasingly recognize that many of the burdens on small companies are imposed by the city itself. In a January 1993 *New York Post* op-ed article entitled "Small Business Holds Key to City's Economic Vitality," Rudolph Giuliani blasted "the city's entrenched culture of over-taxation, over-regulation, and crime." Before dropping out of the mayor's race, Andrew Stein used his position as City Council presi-

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dent to hold hearings on small businesses and promised to eliminate the commercial occupancy tax, viewed by many small firms as a particularly burdensome levy. (Dinkins and Giuliani also support reductions in this tax.)

"Small businessmen across the city are in trouble, because we are now second-rate citizens in a society of bureaucrats salaried by small businesses," says Greg Etchison, owner of Brownstone Gallery, a paint store in Park Slope, Brooklyn. Statistics bear out Etchison's complaint: small business accounted for three-fourths of all job growth in the nation during the 1980s, but less than one-fourth in the city. New York's economic boom was primarily driven by the growth of the financial sector.

Etchison is a founding member of the Merchant and Entrepreneur Rights Coalition Inc. (MERCI), a year-old grassroots organization that represents more than thirty neighborhood small-business groups and some ten thousand businesses. MERCI is concentrating on three burdens on business that are direct results of city policy: the 18-inch sanitation law, the commercial occupancy tax, and the proliferation of street vendors.

• *The 18-inch law.* Merchants are fined $50, or up to $250 for repeated offenses, if there is litter on the street in front of their store. "Businesses are being forced to provide sanitation while they are being taxed for it," complains MERCI's president, Peter Morisi, owner of Brooklyn's Morisi Macaroni. Enforcement can be draconian. Armando Reyes, manager of a supermarket in Washington Heights, says he was confronted by armed sheriff's deputies demanding that he pay $6,600 in back fines—immediately, and in cash. Reyes and his employees had to pool their money and hand it over in order to keep the store open.

Dinkins's decision to relax enforcement of the 18-inch rule is a welcome step, but it only applies to 15 of the city's 59 community board districts, where the Mayor's Office of Operations found that at least 75 percent of the streets are in "acceptably clean condition." Poor neighborhoods tend to have the most serious sanitation problems. In West Harlem and the South Bronx, less than 40 percent of streets are rated acceptably clean. Merchants in these communities, therefore, will not benefit from the Dinkins measure.

• *The commercial occupancy tax.* All businesses whose rent is more than $15,700, or $11,000 in Manhattan below 96th Street, must pay a levy of 6 percent of their rent. New York is the only city in the nation that has such a tax. One reason entrepreneurs find it particularly galling is that it is, in part, a tax on a tax. A commercial tenant's rent already reflects, among other expenses, his landlord's property tax bill.

Dinkins has proposed raising the thresholds for the commercial occupancy tax from $11,000 and $15,700 to $21,000 and $30,000. Such a move would exempt 28,000 companies from the tax, according to Dinkins's estimate. But these firms would end up paying the tax again if their rent later rose above the new threshold.

Because the commercial occupancy tax is directly tied to rent, its elimination would help relieve the pain of rent increases without imposing new burdens on landlords and prospective tenants.

• *Street vendors.* Illegal vendors are "impossible to compete with," one small business leader says. Not only are they free of overhead such as rent and utilities, but they also do not pay any of the city taxes that drive up their legitimate competitors' prices. Some types of businesses are hit particularly hard by competition from vendors. The New York State Retail Florists Association surveyed illegal flower peddlers in the Bronx. "Wherever there's a flower shop, there's a satellite of peddlers around him," says Gregory Chugranis, the association's secretary.

Mayor Dinkins, who was himself a street vendor during his youth, appears ambivalent about the role of peddlers in the city's economy. "For better or worse, street vending constitutes a thriving industry in New York City," he said in April, as he announced his plan to expand the Police Department's 46-member unit that enforces restrictions on peddling, by adding 36 officers and 31 new inspectors and other personnel.

Dinkins's opponents immediately jumped on his plan. Stein said it was too little, too late, and Giuliani told the *New York Times* he was "glad the mayor finally got a wake-up call on the problem, because I've been sounding the alarm for two years." Much of this, of course, can be dismissed as election-year posturing. Indeed, it is difficult to avoid the cynical conclusion that New York's politicians have simply found a new interest group to pander to.

Cynicism notwithstanding, a city more sensitive to the needs of its small businesses would be far better equipped for the considerable economic challenges now facing New York. Entrepreneurs' growing political clout may be the best reason for optimism about New York's economic future. ■

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HOW CLINTON CAN HELP NEW YORK

Stephen Kagann

Imagine a congressman from Texas voting against tax breaks for the oil industry on the grounds that they benefit wealthy special interests. It simply would not happen: a smart politician, regardless of his ideological bent, knows better than to oppose the interests of his own constituents.

Yet in 1989, 10 of New York City's 13 representatives voted against a bill that would have particularly benefited the city's most important industry, financial services. Only two local members of Congress supported the proposal to cut the capital gains tax to 15 percent. (One member did not vote.)

Cutting the capital gains tax is the single best thing the Federal Government could do to help New York City out of its severe and continuing recession. A capital gains tax cut would not only stimulate the national economy, but also encourage a higher volume of trading in New York's financial markets, creating thousands of new jobs in the city.

Currently, profits from the sale of assets are taxed by the Federal Government at a top rate of 28 percent. By cutting the after-tax rate of return on investments, the tax reduces stock prices, increases the cost of capital, and discourages investment and economic growth.

Moreover, when capital gains taxes are high, investment decisions are often driven by the tax rather than by economic considerations. To illustrate this effect, consider the case of an investor who purchased stock that was worth $20,000 in 1972 and $120,000 twenty years later. (This reflects a compound annual rate of return of 9.4 percent, which was fairly typical for stocks during that period.) If he sold his stock, realizing a nominal profit of $100,000, the investor would face a federal tax bill of $28,000.

Because the capital gains tax is not indexed for inflation, much of the taxable "profit" exists only on paper. The original investment of $20,000 in 1972 was the equivalent of about $67,200 in 1992, so the profit, after adjusting for inflation, would amount to only $52,800. The $28,000 tax is 53 percent of this real profit. A New Yorker would have to pay an additional $12,335 in state and city taxes, though part of this would be offset by a federal deduction.

The investor could avoid the capital gains tax by not selling the security. As a result, the capital gains tax creates what is known as a "lock-in" effect. Many investors hold appreciated securities until they die, avoiding the capital gains tax (though not the estate tax) entirely.

The effect of tax rates on investment decisions was borne

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out by evidence from the last major change in the capital gains tax. In 1986, Congress passed a tax reform bill that increased the top tax rate on capital gains from 20 percent to 28 percent, effective the following year. According to IRS data, total nationwide capital gains realizations had averaged $154 billion per year in 1984-1985. They more than doubled, to $326 billion, in 1986, then fell to an average of $152 billion in 1987-1989. Apparently, many investors liquidated their stocks and other appreciated assets in 1986, in order to avoid the 1987 tax increase.

Not all investors are subject to the capital gains tax. Many institutions, including pension funds and nonprofit organizations, are exempt. Still, cutting the tax would free up hundreds of billions of dollars in capital, thus revitalizing the U.S. economy. Smaller, fast-growing industries would particularly benefit from lower-cost capital.

In New York, moreover, an increased volume of trading on the financial markets would bolster the FIRE (finance, insurance, and real estate) sector that is central to the city's economy.

Economist Donald Kiefer has developed a model for predicting the effects on the financial markets of changes in the capital gains tax rate. In a 1990 article for *The National Tax Journal*, Kiefer projected what would happen if the rate were cut from 28 percent to 15 percent, as the Bush administration had proposed doing the previous year.

During the first year of the lower rate, Kiefer estimated, realizations would increase dramatically, possibly by as much as 100 percent. They would decline for the next three years, but would remain well above the initial level under the higher tax. Thereafter, realizations would stabilize at an estimated annual level 58 percent higher than in the year preceding the tax cut.

Meanwhile, trading on the stock market would surge. Kiefer estimates that the "turnover rate" for stocks held by individuals—the number of times the average share of stock will be traded in a given period of time—would increase by 56 percent over the long run. In 1992, individuals traded an average of 100 million shares a day on the New York Stock Exchange. Even if we assume that stock turnover would go up a conservative 30 percent, an additional thirty million shares would be traded each day.

A statistical analysis I conducted for the city comptroller's office shows that an increase of one million shares in the NYSE's average daily trading volume creates approximately 730 new jobs in the city's FIRE sector. Because the FIRE sector tends to stimulate the rest of the economy, each 100 new FIRE jobs are accompanied by 180 other new jobs in the city. Thus, the projected increase in NYSE trading volume of thirty million shares would create some 61,200 new private-sector jobs in New York City. This expansion of the private sector would lead to about $428 million in new municipal tax revenues. The effect on federal revenues, according to Kiefer, would be minimal.

Despite these benefits, when the tax cut came up for a vote in 1989, New York's congressional delegation split along party lines, with only Republicans Bill Green and Guy Molinari supporting the proposal. Democratic leaders had labeled the proposal, inaccurately, a "tax break for the rich." In fact, many moderate-income taxpayers, their income inflated by a one-time gain, are "rich" only in the year they sell their assets.

Enough Democrats did support the proposal to give it a majority in both houses of Congress, but it died in a Senate filibuster. That Democrats would fight a major initiative of a Republican president is understandable, but for New York representatives to oppose a policy that would be a particular boon to the Big Apple is downright perverse.

City officials, for their part, ignored a May 1991 report commissioned by the Mayor's Committee on Financial Services Competitiveness that urged "persistent lobbying in Washington" for reduced or indexed capital gains taxation. They should take this advice to heart and press President Clinton and the city's congressional delegation to cut the tax. They should also call on legislators in Albany to reduce or eliminate the state and city taxes on capital gains, currently 7.875 and 4.46 percent respectively.

If Clinton—a Democrat committed to revitalizing America's cities—embraced the idea of cutting capital gains taxes, he could almost certainly persuade New York's legislators to abandon their foolish opposition to a policy that would benefit New Yorkers more than anyone else. ■

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IS DRY CLEANING A HEALTH HAZARD?

Richard Miniter

"Odor-free! State-of-the-art dry cleaning," proclaims the sign in the window of Lou's Cleaners in Garden City, Long Island. The shop's owner, Morton Fenster, just invested $30,000 in a new self-contained cleaning machine designed to eliminate emissions of perchloroethylene, known as "perc," the solvent he uses to clean his customers' clothes. "I did it mostly for me," Fenster says. "I couldn't stand the smell of cleaning fluids." But the sign has also reassured customers made apprehensive by recent media reports about the dangers of perc.

A highly effective solvent, perc was first used in the 1930s and today is used by about 90 percent of the nation's dry cleaners. (Most others use petroleum-based solvents.) Garments are immersed in perc, which dissolves dirt and grease, then dried and pressed. When clothes are moved from the equivalent of the washer to the dryer, some perc can escape into the air—a problem solved by using a self-contained machine that, like Fenster's, combines the washing and drying processes.

In 1992, the environmental group Greenpeace began a campaign against perc, making dramatic claims about its dangers. "Dry cleaning your clothes can damage your health [and] the health of your family as well as the health of workers in dry-cleaning shops," wrote Susan Leubusher, a Greenpeace staffer, in an article published by the organization. Local media, including the *Village Voice* and WCBS-TV, joined in, highlighting the supposed risks of dry cleaning. "Don't store your newly dry-cleaned clothes in a child's room," warned the September 1992 issue of *Consumer Reports*. "Since children are smaller than adults, they're more sensitive to toxics [sic]."

But the environmentalists wildly overstate the case. The federal Environmental Protection Agency classifies perc as a "possible human carcinogen," a category that also includes saccharine, peanut butter, and mushrooms. The EPA's Science Advisory Board considered changing the solvent's classification from "possible" to "probable" cancer risk at least four times in the past 13 years, and each time decided against it on the grounds of insufficient evidence.

Nonetheless, government regulators responded to the flurry of media attention. The EPA began a study of dry cleaning and is drafting new regulations. In Albany, the state Department of Environmental Conservation has proposed regulations requiring that all dry cleaners upgrade their equipment to contain perc emissions. The new cleaning machines cost up to $60,000 each, depending on their capacity, an expense

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that could put some dry-cleaning shops out of business. A typical dry-cleaning establishment has five employees and net profits of $10,000 per year, according to a 1988 EPA report.

In an article published in the Fall 1991 issue of *Industry and the Environment*, a journal published by the United Nations Environmental Program, Greenpeace International's Beverly Thorpe laid out the most comprehensive case against perc. She cited scientific studies of workplace exposure that have linked perc with cancer and other ailments, laboratory studies of rats and mice, and computer model extrapolations. Thorpe's conclusion was the subtitle of her article: "Time for a Global Ban."

The evidence, however, is not so clear. The human studies Thorpe cited all had methodological problems. Five U.S. studies found a correlation between perc exposure and health problems among dry-cleaning workers. "None of these studies has been accepted as absolute proof," Thorpe conceded, "either because the number [of people] surveyed was too small or because not enough was known about the subjects to be sure they were exposed solely to perc." Other studies, conducted overseas, failed to account for the effects of risk factors such as smoking and heavy drinking.

Thorpe's other sources of evidence were even more questionable. In tests on rats and mice, the rodents are forced to consume doses thousands of times greater than any person could possibly be exposed to in a lifetime. And computer models are notoriously unreliable, reflecting the biases of their programmers. It is typical for scientists on opposing sides of risk-analysis debates to employ dueling computer models that show opposite results.

The best study on the effects of perc, moreover, contradicts Thorpe's conclusion. The National Institute for Occupational Safety and Health, a federal agency, found no increase in cancer among six hundred dry-cleaning workers. The study is particularly reliable because it is the only one ever conducted whose subjects were exposed to perc and no other cleaning solvents.

Because the evidence against perc is so weak, we are a long way from Thorpe's global ban. Even the World Health Organization, normally a proponent of strong environmental regulation, says perc should not be banned without "international consultations regarding an alternative."

Few alternatives exist, however. While perc is nonflammable, fire codes limit the use of petroleum-based solvents. Two other solvents used in the past are now banned as ozone-depleting chemicals. At the EPA's request, the Neighborhood Cleaners Association, an industry group, is testing a process dubbed "Ecoclean" that involves extensive spot cleaning with organic cleansers, vacuuming of dirt, tumble drying, and steaming. Because it is labor-intensive and does not clean as thoroughly as perc, however, Ecoclean does not look promising.

Greenpeace, for its part, would like to end dry cleaning altogether. "With increased awareness, consumers would not choose fabrics that stipulate 'dry clean only,'" Thorpe writes. "At the same time, the fashion industry must become accountable for the choice of textiles used." Even Greenpeace's Leubusher, however, admits that perc is no more hazardous than such household chemicals as paint strippers or pesticides used on indoor plants. And the EPA has rejected the environmentalist claim that a hazard is posed by trace amounts of perc left on clothes after cleaning.

Perc can be an irritant for people who live in apartments directly over dry-cleaning plants, a fairly common arrangement in New York City. In light of the federal study showing no danger to dry-cleaning workers, it is unlikely that the health of these apartment dwellers is in jeopardy. But perc smells bad, and in the wake of local media coverage in January, the Health Department received at least seventy complaints from city residents who live over dry-cleaning plants. In 14 of those cases, levels of perc were found to exceed the state's safety standard. That standard, however, is ridiculously low—so low, in fact, that it is well under the minimum amount of perc that can be measured using existing equipment. And perc emissions can be kept out of apartments altogether if dry-cleaning establishments improve ventilation, install plastic seals, or upgrade to self-contained cleaning machines.

City, state, and federal regulators should take a long, careful look at the evidence before slapping dry cleaners with burdensome new regulations. If new restrictions are found to be necessary, they should be accompanied by tax credits to help dry cleaners defray the cost of compliance. The struggling immigrant families who operate most of the city's 1,800 dry-cleaning establishments should not be sacrificed in the name of an overzealous environmental crusade. ■

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ESTATE TAX EXODUS

Robert B. Ward

Faced with taxpayer flight from New York State, the tax collectors have begun to back off. New York State's tax commissioner, James Wetzler, announced in February that he was reining in his auditors, who have overzealously pursued out-of-state taxpayers in an effort to prove that they are residents who owe high state taxes. To avoid being considered residents, according to a *New York Times* report, "many people have closed bank and brokerage accounts; sold businesses in the state; stopped using New York professionals like accountants, doctors, and dentists; stopped giving to New York charities and politicians; limited trips to New York; and even avoided taking vacations in the state." Wetzler realized that the incentives to avoid visiting or doing business in New York were doing more harm than good to the state's economy and tax revenues.

Legislators in Albany should take a cue from Wetzler and eliminate another tax that is driving people from New York: the estate tax, the highest in the nation.

Passing on an estate is an expensive proposition anywhere in the United States. The Federal Government levies a heavy estate tax with a top rate of 50 percent. But federal law allows a taxpayer to take a credit for a portion of a state death tax. This credit amounts to $12,400 on a taxable estate of $500,000 and almost $400,000 on an estate of $5 million. Most states impose an estate or inheritance tax equal to the federal credit. (The distinction is that estate taxes are imposed on the entire estate before it is distributed to the heirs, while inheritance taxes are paid after the fact by the individual inheritors.) Residents of those states end up paying no more than the federal tax, with the federal credit "picked up" by the state.

New York State, however, imposes a tax that amounts to $20,000 on a $500,000 estate—$7,600 more than the federal credit. On a $5 million estate, New York's levy grows to roughly $145,000 above the federal credit. New York's top marginal estate tax rate is 21 percent, while the maximum federal credit is 16 percent. For estates left to one's own children, this rate is higher than that of any other state; for other bequests, New York's top rate ranks behind only those of Montana and South Dakota. New York, moreover, is one of only six states to impose a gift tax.

The estate and gift taxes provide substantial revenues for the state—some $700 million in fiscal 1993. But they also put New York at a competitive disadvantage in its efforts to stimulate growth of the small and medium-sized businesses that are increasingly vital to the economy.

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"People are leaving the state to avoid the 'extra' New York State tax in excess of the federal credit for state death tax," according to a 1987 report by the Trusts and Estates Law section of the New York State Bar Association. When a business moves, Albany forgoes income and other taxes, as well as its share of the estate tax when the owner dies.

Moving out of state is not a viable option for all businesses. But even when a firm cannot move, the cost of estate taxes saps the financial strength it needs to survive its owner's death. Few $5 million businesses, for example, are so flush that they can easily absorb New York's additional tax bill of $145,000. Often, much of a company's net worth consists of assets that cannot be sold to pay off taxes without destroying the enterprise itself: buildings, equipment, and intangibles such as a good reputation. That means the tax payment typically must come out of payroll, growth capital, and other essentials.

Ironically, many people believe that estate taxes only take money from the "idle rich" and make it available to the less fortunate. But when a company is caught between estate tax bills and a tight cash flow, its inheritors may find that the easiest course is simply to close shop. Thus, high estate taxes actually encourage the heirs to a family firm to adopt a life of idleness by selling the business, investing the proceeds, and living off the interest. Selling partial ownership of a family business is a much more difficult way to raise cash, one that vastly increases the likelihood of destructive disputes.

During the past decade, many states have recognized the harmful effects of death taxes and have reduced or repealed their levies on inheritances or estates. Meanwhile, only one state—Connecticut—has imposed a new estate or inheritance tax.

New York, however, has bucked the national trend toward lower death taxes. As part of its multibillion-dollar tax increases over the past four years, Albany instituted several measures to increase the estate tax burden. Most notably, the state expanded the base of estate and gift taxes to include out-of-state property for calculation of the marginal tax rate. Because New York's estate tax rates are highly progressive, the effect is to force inheritors into higher brackets.

As other states have lowered or eliminated their death taxes, New York's high rates have become even more pronounced by comparison. Moreover, inflation has created a "bracket creep" effect that has driven taxes up sharply in real terms.

Although inflation has run at a cumulative rate of some 350 percent since 1959, New York's estate tax rates have not been changed during that period. An estate worth $350,000 in 1959, for example, was subject to a marginal state tax rate of 5 percent. In 1992, because of inflation, an equivalent estate would have been worth about $1.2 million and subject to taxation at a 9 percent marginal rate. In 1959, New York's estate tax was comparable to that of most other states; today, when most states no longer impose any death tax beyond the federal credit, the incentive to leave New York is much stronger.

The ideal solution would be to reduce the New York estate tax to the level of the federal credit. Though this move would undoubtedly mean less revenue for the state in the short run, its long-term effect would likely be to increase revenue by removing a major incentive for business owners to leave the state. The legislatures in at least two other states have accepted this argument. Two 1991 studies concluded that Massachusetts's tax revenues would ultimately rise by $86 million a year if the state reduced its estate tax to the federal pickup level, and a University of South Carolina study several years ago estimated that state would gain a thousand new retirees a year if it made a similar change. An estate tax limited to the federal pickup level would still raise substantial amounts of revenue. In 1990, such taxes raised $386 million in California and $251 million in Florida.

If legislators in Albany are skeptical about the state's ability to afford such a change, they should at least set a long-term goal of eliminating estate taxes above the federal pickup level for family-owned businesses and farms. In the interim, the legislature should take other steps to reduce the estate tax burden. Lawmakers should gradually eliminate all or most of the "bracket creep" that has taken place since 1959 and change the state's "unified credit," which currently exempts only the first $108,333 of an estate from taxation, to the federal level of $600,000. Under the current threshold, a New York State resident who owns no assets other than a moderate-value home can be subjected to estate taxes.

The businesses that would benefit most from these changes are the small and medium-sized companies that produce the most jobs in today's economy—those that should most be encouraged to grow and remain in New York State. ■

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CITY CONTRACTING: UNDER THE INFLUENCE

Jane McCarthy

City contracting is big business: in fiscal 1992, New York City spent an estimated $6.9 billion to purchase goods and services from the private sector, under 9,858 different contracts.

That kind of money is awfully tempting, so it's no surprise that corruption scandals have plagued the city throughout its history. In 1872, when the "Tweed" courthouse was built behind City Hall, its original $250,000 price tag swelled to an estimated $13 million; Tammany Hall boss William Marcy Tweed pocketed two-thirds of the building's cost. Sixty years later, Mayor James Walker resigned after the Seabury Investigation revealed widespread corruption, and in 1950, Mayor William O'Dwyer was rescued from corruption charges when President Truman appointed him ambassador to Mexico. In the 1980s, pressure mounted for the city to reshape the way it awards contracts after a series of scandals during Ed Koch's final term as mayor.

The calls for reform were answered in 1989 when the new city charter changed the way contracts are awarded. The mayor now has almost total control over contracts, and the comptroller is vested with subordinate oversight responsibility.

These new rules were designed to create an efficient and accountable awards process. But less than three years after they were put in place, the city is awash with questionable contracts, despite cumbersome controls that slow the process to a snail's pace. We now have the worst of both worlds—an inefficient system that does little to weed out the bad apples.

The intrusion of influence peddling into the contract awards process is illustrated by the recent revelations concerning the proposed Parking Violations Bureau contract with Lockheed Information Management Systems. A $200 million contract with Lockheed was in final negotiations when *Village Voice* writer Wayne Barrett blew the whistle. Barrett reported on highly improper incidents of arm-twisting by First Deputy Mayor Norman Steisel and Budget Director Philip Michael to win approval for the aerospace subsidiary, which in its previous incarnation as Datacom was implicated in a city bribery scandal in the mid-1980s. Steisel is accused of giving Lockheed extensive and exclusive access to high-level city officials.

The Lockheed contract not only illustrates the political influences at work in the awards process, but also exposes an intrinsic conflict of interest at the Department of Investigations, which is probing the influence-peddling allegations. In the city hall chain of command, the department's commissioner, Susan Shepherd, reports directly to Steisel. While her respected background in law enforcement suggests that she will be impartial, her investigation is bound to have less credibility than if she were not investigating her own boss.

Another egregious example of political influence steering city business involves the largest contract given out last year—a $468 million award, negotiated without competitive bidding, for New York Organic Fertilizer Company to treat and dispose of city sludge. Steisel was actively involved in the selection process, despite a clear conflict of interest: he had been president of one of the companies that created the New York Organic joint venture and senior vice president at Lazard Freres & Co., the firm bankrolling the project. Steisel stayed with the sludge venture until four days before being named deputy mayor, and, according to the Department of Investigation, he continued to keep tabs on its progress while working as Dinkins's first deputy.

Moreover, while the new rules for contracting fail to eliminate influence peddling, they also mandate reams of paperwork that unnecessarily prolong the awards process. "The rules to show accountability really diffuse responsibility with so many sign-off points that no one is responsible," says Ilene Marcus, director of city

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policy for the United Jewish Appeal Federation. She estimates that it takes between 6 and 11 months to get a typical social-service contract through the bureaucratic maze.

Sometimes, as a result, the city is unable to meet deadlines for distributing or applying for federal funds. Bungling in the distribution of $5 million in federal Head Start money meant that a thousand poor children lost nearly a year of preschool instruction. Likewise, as much as $20 million in federal AIDS money was lost because of the city's bureaucratic procedures.

Corrupt or incompetent contracting not only costs the city money, but also harms the quality of life. On 14th Street in Manhattan, for example, Perez Interboro Asphalt had to tear up the street and repave it after the firm was found to have used watered-down concrete. The continuing work was unsightly and disruptive, but Perez was allowed to keep its $23 million contract and apparently is about to be awarded another contract for similar work on Third Avenue.

The city has made some progress in improving its contracting procedures. Michael Rogers, director of the Mayor's Office of Contracts, has made professionalizing the contracting staff a top priority. When he took office two years ago, none of the city's 750 full-time contract specialists was certified by a professional contracting association. (Such certification is the equivalent of a CPA in the accounting profession.) Rogers arranged for the training of more than five hundred procurement staffers and convinced the mayor and City Council that the 14 largest mayoral agencies, each of which gives out more than $100 million a year in contracts, should hire experienced contracting officers. With the significant exception of the Department of Social Services, all have done so.

Rogers estimates that better staff training, along with a new computer system and greater centralization of contracting authority, will save $27.5 million in fiscal 1993 and $148.5 million a year by 1996.

These efforts are a step in the right direction, but more should be done. The city needs to be vigilant in weeding out contractors that cheat, deliver shoddy merchandise, or cut corners on contract specifications. Contractors can be debarred from city work after a hearing by the Office of Administrative Trials and Hearings. But since the office was designated to hear such cases in 1990, only three have been placed on its calendar and only one company has actually been debarred. The reason, according to Rogers, is that city agencies lack the resources to initiate such cases. The authority to do so, therefore, should be transferred from the agencies' general counsels to the city's Law Department, which could set up a special unit to handle these cases.

The city should also reform practices that restrict competition for contracts. In what amounts to a sweetheart deal, some contract specifications are designed to be so specific and detailed that only one company can supply the desired product. A red flag should be raised, for example, when the same handful of firms win street-lighting contracts year after year.

The city should also reconsider the "hold harmless" clause that prohibits a contractor from making claims for delays caused by the city. Because many legitimate companies refuse to accept a financial penalty for delays over which they have no control, the effect is to diminish competition by limiting the number of firms that are willing to do business with the city.

More local involvement in contracting decisions would also help make the city and its contractors more accountable. The present system provides scant room for meaningful public comment. Contract solicitations are published in the impenetrable *City Record* and hearings on awards are announced on cable TV, but attendance is sparse at the public hearings, even when highly controversial contracts are being awarded. At a typical hearing, more than $100 million worth of contracts are presented, usually without a morsel of public testimony. No one wants to return to the steamy days of the Board of Estimate, but there should be a way for the public to have a greater role in the process. One way of accomplishing this would be to involve borough presidents and community boards.

Finally, the reforms already undertaken should be expanded beyond the agencies directly under the mayor's control. Perhaps as much as half the contracting budget is outside the scope of the new procurement process. Independent entities such as the Board of Education, Health and Hospitals Corporation, and Off-Track Betting Corporation all escape public scrutiny of their budgets and operate independent of the disclosure provisions mandated by the charter.

By improving its contracting operation, the city could save hundreds of millions of dollars while raising the quality of its services. In an era of municipal budget constraints, this is an effort the city cannot afford to avoid. ■

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Is Reinventing Government Enough?

Louis Winnick

David Osborne and Ted Gaebler are leading the charge for efficient, responsive government. But their approach, dubbed "reinventing government," is at best marginally effective. The real problem is that government has taken on too many responsibilities; the solution is not reinvention, but disinvention.

Reinventing Government, David Osborne and Ted Gaebler's influential book, has been widely acclaimed for lighting the way to smarter, leaner government. The *New York Times* called it one of the best books of 1992. The volume's dust jacket is decorated with praise from no less than Bill Clinton: "This book should be read by every elected official in America. Those of us who want to revitalize government . . . have to reinvent it. This book gives us the blueprint." William Weld, the Republican governor of Massachusetts, adds that "David Osborne and Ted Gaebler are truly original thinkers." Their book, he says, is "required reading in the Weld administration."

Reinventing Government arrived in April 1992 with a favoring wind at its back. By a host of indicators, citizens' confidence in the political establishment was steadily dwindling. Party affiliations weakened as restless voters shuttled to and from traditional allegiances. In state capitols and city halls, unfilled public needs and wants overwhelmed public revenues. Even as taxes rose, problems got worse: unhoused derelicts and uneducated youth, unsafe streets and immobilized traffic, undisposed waste and unlivable neighborhoods. The denouement of this stark tale was low voter turnout, ferocious tax rebellions, and term-limitation initiatives.

In an age of political stasis, Osborne and Gaebler offer self-assured answers to the conundrums of governance. "What we are describing," they write, "is nothing less than a shift in the basic model of governance used in America. This shift is under way all around us, but because we are not looking for it—because we assume that all governments have to be big, centralized, and bureaucratic—we seldom see it. We are blind to the new realities, because they do not fit our preconceptions. . . . What we need most if this revolution is to succeed . . . is a new way of thinking about government—in short, a new *paradigm*."

The authors maintain that the realization of this ambitious goal is uncontroversial and within grasp. The central problem of governments today, they write, is "not what they do, but *how they operate*." Debates about "what government should do, and for whom" are "secondary today." Accordingly, Osborne and Gaebler's book presents a veritable L.L. Bean catalog of several hundred exemplary innovations in public management, most at the state and local level. But contrary

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to President Clinton's evaluation, *Reinventing Government* is anything but a blueprint. Rather, like a merchandise catalogue, it tends to be light on critical analysis and heavy on heightened prose.

The authors describe a series of useful but only marginally significant administrative innovations, many still fragile and insufficiently tested. And they omit or glide past three crucial problems. First, governmental innovations have a high failure rate. Second, while certain innovations multiply almost effortlessly, others, including many of the ones cited in *Reinventing Government*, remain unreplicated. Third, even successfully imitated innovations, including certain varieties of privatization, typically yield few benefits.

It is my contention that Osborne and Gaebler are mistaken—that the fundamental problem of government is not one of inept administration, but of an overload of policy mandates. A real paradigmatic shift would require far more than a change in methods. The old paradigm, in which every problem is answered with a program, must give way to a recognition that government has vastly overextended itself. What is needed is not managerial reinvention, however ingenious, but sweeping disinvention, however painful.

Failed Innovations

Transience is the inevitable hazard of creative endeavors. As in the process of natural selection, the vast majority of departures from the norm quickly die, either at birth or before attaining reproductive capacity. The mortality rate of private-sector reinventions is woefully high, judging from the lopsided ratio of fallow to productive patents. There is no reason to believe the extinction rate of governmental reinventions is any lower.

What has become of the many innovations introduced or promised during the Great Society's feverish years? Where now are Model Cities, New Towns, zero-based budgets, the 24-hour tenement-rehabilitation demonstration, citizens' advice bureaus, the cost-efficient TV-by-satellite classroom? Where now the long procession of experimental nostrums for juvenile delinquency, all duly but prematurely celebrated by their governmental and philanthropic sponsors during those hopeful years before teenage delinquency had degenerated into pre-teen murder?

Nor have Republican reinventions, dating back to the Nixon administration, been any more successful. Housing Secretary George Romney's salvo of proposed innovations in building technology, dubbed Operation Breakthrough, proved anything but. Where now is the high-rise apartment building assembled top-first from factory-built modules? Where is Market Aggregation, a much-heralded scheme to achieve economies of scale in factory-produced housing by amassing local-area demands into a single big-ticket order? Or the several models for a nationwide building code? Or Turnkey III, the sale of public housing units to their occupants—a reinvention that long antedated Jack Kemp's parallel thrust under the banner of empowerment?

From others have come equally short-lived inventions: Big Momma (the bonding, *in loco parentis*, of a grandmotherly neighbor to a teenage mother), "slippery water" (a chemical treatment that doubles the output of fire hoses), low-cost community-owned and -operated house-repair vans manned by ghetto youths to aid elderly homeowners, the Barnes Dance (a choreographed street-crossing to speed traffic without endangering pedestrians), downtown people-movers, and many more.

I do not mean to mock the restless inventors who give life to the new, no matter how fleeting that life. We have no surfeit of such talent. We should certainly let a thousand flowers bloom and nine hundred wither so that we can savor the hardier perennials.

But we should also be wary of public-sector reinventions that are born amidst great fanfare but die with remarkably few obituaries. Albert Shanker, I suspect, would be happy to supply a voluminous catalog of immoderately applauded but eventually sterile sports in public education. School-based management, which propelled Joseph Fernandez to

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New York, is reliably reported near death in Miami, its place of origin, after a scant three years. Even Head Start, the most celebrated of educational innovations, has attracted a circle of skeptics.

Any contemporary list of public-sector reinventions must be considered provisional. A sampling of the larger foundations' annual reports from the 1960s, filled with innovations that turned out to be ephemeral, is fair warning of how *Reinventing Government* might read ten years hence. In short, the book is a directory of extant innovations, many destined to prove no more durable than predecessors.

Osborne and Gaebler are not oblivious to the risk of failure. But they devote a mere four paragraphs to that possibility, tossing in a few examples and attributing them, dismissively, to politics or selfish public-sector unions. They treat the phenomenon of failure as if it were an awkward exception and not the fate of most innovations.

Why Reinventions Don't Spread

Rapid replication is perhaps the best market test of an innovation's real worth. This is demonstrated by the spontaneous diffusion, at wildfire velocity, of such creations as 911 emergency service, vanity license plates, zero-coupon municipal bonds, magnet schools, and local community development corporations.

If replication is the rough equivalent of market sales, *Reinventing Government* largely describes an inventory of unsold merchandise. Sunnyvale's long-range budgeting protocol and Visalia's mission-driven budget have traveled no inordinate distance from those small California cities. St. Paul's profit centers have swept, well, St. Paul; Phoenix's experiment in competitive garbage collection, hailed since the dawn of the privatization movement, has spawned few imitators.

To be sure, a public innovation can be locally successful and long-lived, while flourishing only in the environs of its birthplace. But a collection of nonreproducing local innovations hardly represents the paradigmatic shift Osborne and Gaebler promise. Yet the authors are silent on the subject of replication, except for a passing note that innovations replicate far more successfully in the private than in the public sector.

The mechanisms of replication are probably the most neglected and least studied aspect of the reinvention theme. This point was wistfully made by Professor Alan Altshuler, director of Harvard University's Program on Innovations in State and Local Government. His program, funded by the Ford Foundation and highlighted in *Reinventing Government*, is an annual nationwide competition in which a panel at Harvard's Kennedy School selects ten reinventions by state and local governments and awards the winners $100,000 each. "The Ford Foundation did not start this program with any focus on diffusing innovations," Altshuler said at a 1989 conference. "Diffusion is still not a major part of the program. Ford [seems to be] searching for the ten most creative ideas, not the ten best ideas for diffusion."

Diffusion tends to follow two general paths. One is horizontal or spontaneous: some ideas are so self-evidently beneficial that they are swiftly and enthusiastically imported by vast numbers of jurisdictions. For example, health maintenance organizations, introduced by Kaiser Permanente in California and (in different form) by HIP in New York, became the basis of health-care systems in many other places. The first walk-in clinic opened twenty years ago in Warwick, Rhode Island; without much prompting, four thousand sprang up across the country. Other success stories include hospices for the terminally ill, shared housing for the elderly, and civilian police patrols.

One thing these successfully replicating innovations have in common is their "winner-winner" character. Their benefits come at no great cost to anyone. Because technical innovations are more likely than social ones to embody such qualities, they are more often adopted voluntarily by multitudinous jurisdictions. Examples abound: computerized state lotteries, electronic bracelet monitors for nonviolent prisoners under house arrest, on-line data-retrieval computers in police cars, radar to

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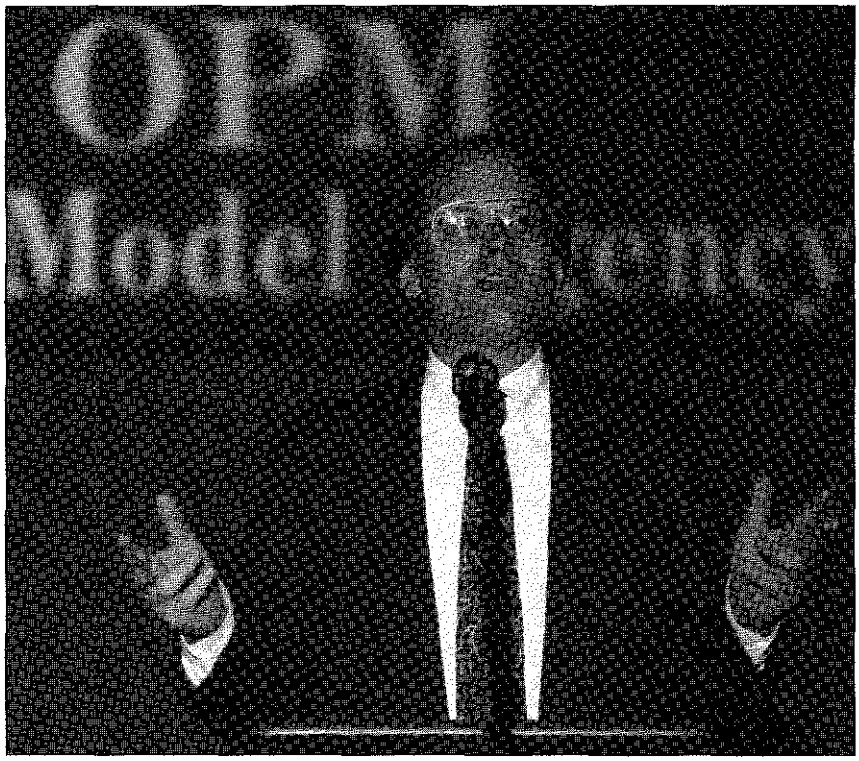
detect speeding, vandal-proof parking meters, and high-temperature incinerators. In diffusing technical innovations, moreover, the profit motive plays an important role. The manufacturer's salesmen put on a show-and-tell for government purchasing officials, who adopt the innovation only after its efficacy is demonstrated, sometimes through a free or cut-rate trial.

The second path of diffusing innovations is vertical. A central actor—the federal or state government or the judiciary—seeks, by command, "bribe," or penalty (often in combination), to plant a given reinvention in a variety of jurisdictions. This occurs most frequently in the social sphere, where a locality might be hostile to an idea (racial integration) or find its adoption too costly without full or partial subsidy (Food Stamps, Chapter I educational aid, Medicaid). Other reinventions (equalization of electoral districts, formulas for preferential minority recruitment, "Robin Hood" redistribution of school aid) are enacted by the judiciary's imperium.



Courtesy of OPM

David Osborne, coauthor of *Reinventing Government*, speaks to employees of the federal Office of Personnel Management.

Private foundations play an important role in social-service innovation, appropriating hundreds of millions of dollars in grants both to spur new models and to replicate existing ones. Foundations have also pioneered the techniques of evaluation, thereby helping develop it into a genuine discipline. At times private philanthropy has stood in the vanguard of government; many of the Great Society's community action and development programs were large-scale versions of prior foundation initiatives. But more often, foundations work in tandem with public agencies by funding tasks that are difficult for government to carry out, such as objective evaluations, international explorations and exchanges, and baseline studies. Thriving and still-replicating philanthropic innovations include the "I Have a Dream" program (college scholarships as an incentive for inner-city youths to stay in school), community development corporations, and Neighborhood Housing Services.

Neighborhood Housing Services (NHS), an enterprise fostered by national and local foundations to stimulate community reinvestment, is a nice case study of a fast-replicating social innovation. At last count, it had taken root in 240 localities within 42 states and Puerto Rico. It continues to flourish despite upheavals in the local savings-and-loan sector that is intimately linked to the innovation.

NHS began during the late 1960s on Pittsburgh's North Side, with $500,000 in grants from the Sarah Mellon Scaife Foundation. The Scaife family, unapologetically antistatist, was attracted to the NHS model as an alternative to the

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seemingly irreversible encroachment of government in local housing and mortgage markets.

NHS seeks to halt the decline of neighborhoods populated by low- and moderate-income homeowners. Mortgage capital for rehabilitating homes in such communities tends to be scarce because making such loans is uneconomical. Even at a time when home mortgages on existing residences were the meat and potatoes of local savings-and-loans, the institutions were loath to bother with what were then $10,000 to $15,000 loans—as much as could be justified by the modest fix-up contracts or the typical borrower's carrying capacity. Such mortgages are unprofitable unless surcharged with sufficient fees to cover origination and servicing costs. But appropriate surcharges would result in a usurious effective interest rate. A local NHS solves this problem by entering as an intermediary. It shoulders all paperwork, including the applicant's credit check, and bundles a group of homeowners into a single loan application.

Again, what accounts for NHS's success in replicating is its winner-winner features. This reinvention proved that many neighborhoods could be rehabilitated without the bureaucratic entanglements and heavy expenses associated with government programs; the latter are best reserved for badly crippled locales lacking a homeownership base. And NHS scored well on the political as well on the social and technocratic scale: in the neighborhoods where it operates, it has done a great deal to cool the conflict over redlining.

In contrast to the NHS experience stands Chicago's South Shore Bank, another redevelopment effort. In two decades, there has been little movement toward spontaneous adoption of this design in other urban centers, barring a pallid copy in Clinton's Arkansas. The South Shore model was passed over by multitudes of jurisdictions coping with comparable problems of inner-city reinvestment. This was not for any lack of visibility; from its inception, the institution was assiduously promoted by its philanthropic supporters, to such an extent that the bank's officers complained of visitor overload.

Candidate Clinton, infatuated with South Shore, promised to create a hundred similar banks across the country. Fulfilling that commitment—the top-down replication of an enterprise unable to gain market share—would require substantial subsidies. Clinton's promise was a striking example of the conceit that government possesses sufficient wisdom to choose the right model on which to lay its bets. Since his election, Clinton has acknowledged that many communities prefer alternative reinvestment institutions such as local credit unions or the redevelopment arms of established banks.

Innovation's Limited Benefits

A cardinal reason why so many public-sector innovations are slow to travel is that prospective adopters have to be persuaded of early and substantial benefits relative to perceived costs. As Altshuler has noted, "What gets diffused isn't what is most central to the innovators, but what is most central to the adopters." Because the bottom line for a politician is the next election, a strategy of diffusion "must include providing politicians with opportunities for political benefit."

Osborne and Gaebler are square on target in their account of bureaucratic inertia and the politician's electoral calculus. But they are remiss in their inattention to the limited benefits of most innovations, even when political obstacles are overcome. Objectively evaluated, the net gains of innovation are seldom breathtaking.

Not all social innovations lend themselves to unambiguous assessment. How, for example, does one evaluate the success of an educational program designed to increase students' self-esteem? The best one can do is rely on a jury-like consensus of knowledgeable and (one hopes) impartial observers.

Closer to good social science is the mass-observation evaluation, which provides a sufficiently large body of data to permit observers to factor out the influence of such variables as income, race, sex, IQ, environment, and family structure. The Coleman Report (a 1981 study of nearly sixty thousand students in public, private, and parochial

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schools) and Michigan's Panel Survey of Income Dynamics (a longitudinal survey that has tracked five thousand families since 1968) are good examples. In social-science research, however, even good factor analysis can never perfectly identify and isolate the effects of an experimental reinvention. Subtle, unidentifiable variables—motivation and personal values, for instance—are almost always present, but never reflected in the observed data.

The most rigorous evaluations, mimicking the medical and biological sciences, are controlled experiments. These have two salient features: a clear identification of the tested innovation and random assignment of observed subjects. The latter permits cleaner matches between control and experimental groups and minimizes the intrusion of unintentional bias. But such evaluations are rare because they are difficult to design and hellishly expensive.

Objectively evaluated, the net gains of innovation are seldom breathtaking

Randomized, controlled evaluations have been most prominently applied to reinventions in welfare reform. To date, every such experiment has yielded outcomes much less than revolutionary. Relative net gains, some barely on the threshold of statistical validity, have been clustered in the low single digits. Indeed, some social-welfare reinventions emerged from formal tests with *negative* outcomes—statistically valid results contrary to the sponsor's expectations.

The first major controlled tests, high-profile and nervously watched, were the renowned Income Maintenance experiments of the late 1960s to mid-1970s. These tests, intended to measure the efficacy of several varieties of guaranteed income supports, yielded results ranging from inconclusive to negative. A guaranteed income seemed to increase rather than decrease the rate of family dissolution by making it possible for a woman to afford separation or divorce. And even with financial inducements to enter the job market, guaranteed grants seemed to weaken rather than strengthen the will to work, since recipients could afford to stay home.

A later series of more meticulously designed social-welfare experiments produced comparably thin gruel. Supported Work, a highly regarded European innovation to advance the disadvantaged from dependency to jobs, prompted a massive three-year study. At a cost of $82 million, the experimenters sought to induce an underclass population to enter or rejoin the mainstream job market by providing modest cash stipends and a full measure of counseling and social services. In a dozen cities, a sampling of 6,300 disadvantaged males and females was randomly divided into experimental and control groups, with only the former receiving the new benefits. The trial was conducted by the Manpower Demonstration and Research Corporation (MDRC), a premier nonprofit organization that specializes in testing and evaluating social-welfare reinventions. The outcome for men was unrelieved failure. Compared with the control group, the experimental group displayed no measurable increase in job earnings, and an initial mild improvement in addiction and arrest rates dissipated by trial's end. For women, the outcome was statistically positive but disappointingly small: an average of $82 per month more earned income than the control group.

The current cycle of welfare-to-work experiments, mandated by Senator Daniel Patrick Moynihan's 1990 legislation, has been warmly praised by Clinton, Osborne, Gaebler, and others. Yet demonstration tests carried out by MDRC and others show that so far, improvements average only $400 per year—a gain somewhat below the cost of the new programs. Whatever else the beneficial outcomes of current social-welfare reinventions, impressive savings in welfare budgets are unlikely to be among them.

Though the disappointing results of innovation are most notable in the social field, the yield of technical reinventions is often similarly unimpressive. A generation ago, factory assembly of complete homes and major modular components, almost

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always cheaper and of higher quality than on-site construction, was hailed as a panacea for the dismal economics of residential construction. But subsequent experience proved sobering. The final savings to the homebuyer tend to hover around 10 percent, after factoring in costs such as transport, site acquisition and preparation, structure attachment, and on-site installation of finishing components. And the value of this technological reinvention was more than offset by government's counter-reinventions—a spate of new building regulations, some federal but most state and local. Tougher zoning and land-use ordinances, prohibition of lead paint, and mandated wheelchair access for multifamily homes piled cost upon cost. The economics of new housing remains dismal.

The class of managerial reinventions with the best potential for more than marginal benefits is privatization. Broadly defined, privatization is the deliberate shift of a wide range of public functions and activities from public to private hands. "Government should steer, not row, the boat" is the privatization movement's rallying cry, echoed by Osborne and Gaebler.

Privatization has long been advocated by conservatives, who call on government to relinquish many of its functions to the private market. But most discussion of privatization today concerns a more modest variety: contract procurement. Public services—waste collection, fire protection, hospital care, or even prisoner custody—can be economically purchased from private firms by competitive bidding in the same way that government buys, rather than produces, such things as automobiles and firearms for its police force. (The practice of mandating by law that private employers or developers provide certain public benefits might be considered a third form of privatization.)

Osborne and Gaebler provide a reasoned, balanced discussion of contracting out. Although this form of privatization has few strong opponents (public employee unions aside), there are plenty of skeptics doubtful about the scope and magnitude of its potential benefits. The authors note that the potential of contracting out derives not from any inherent superiority of private over public production, but from the power of competitive markets. The benefits, therefore, diminish with diminished competition.

If the crux of efficient private procurement is bona fide competition among bona fide firms, pitfalls abound. A contractor may submit a lowball bid that rapidly escalates with every change order and, when rival bidders have dispersed, with subsequent contract renewals. Supposedly competitive firms may collude in such schemes as bid-rigging, rotational bidding, and territorial allocations. And the influence of organized crime, on both contracting firms and trade unions, is notorious in such fields as waste collection and disposal, sewer and highway construction, and the supply of concrete, asphalt, and other road materials.

The relationship between the public and private spheres, even in reasonably competitive markets, inevitably breeds a sleaze factor. This takes the form of outright corruption at times, but of political contributions more often. Candidates' fund-raising dinners are feasts not only for contractors who provide goods and services, but also for the financial sector's elite, in hot pursuit of contracts to underwrite state or municipal bonds or to manage government pension funds.

Protecting the government against corruption and favoritism inflicts substantial public costs. To assure the integrity of contracts, public officials must vigilantly monitor every stage of the process from bid to completion. Such intense surveillance imposes budgetary and administrative burdens. A staff of experienced contract managers must be hired, a blizzard of certifying documents completed, approval calendars protracted, and payment schedules guarded (which may mean delayed). The costs of complying with such regulations are inevitably reflected in higher bids. Moreover, because of these bureaucratic burdens, many of the most competent vendors refuse to enter the public market at all, except when driven there by hard times. The steadiest bidders are those most adept at working the system—certainly no warranty of efficiency.

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Bill Clinton's Reinventions

Every presidential candidate forsworn to shrink runaway spending inevitably discovers, early in his term, that "waste, fraud, and abuse" is not a line item in the budget. The problem entails remedies a good deal harsher than sterner rules of public management. Carter, the micromanager par excellence, was diverted from his concern with administrative streamlining by a storm of urgent policy priorities. Reagan quickly tired of the subject; Bush simply ignored it.

One recalls how exuberantly candidate Clinton championed the reinvention motif; it figures prominently in *Mandate for Change*, his policy blueprint. But what now of President Clinton? The view from the Oval Office is not the view from the stump, where improbably large administrative economies can be contemplated. As president, in a seventy-minute, straight-from-the-heart address to Congress, Clinton set forth an awesome policy agenda and gave the reinvention of managerial government only a brief mention. The budget figures in detailed fiscal follow-ups were similarly proportioned: to the supreme apostle of change in government, administrative reform was small change. His pledge, vague and unspecified, to reduce federal employment by 100,000 over four years and to freeze public salaries was an incoming president's obligatory bow to frugality, incumbent upon all new incumbents. Yet each somehow manages to complete his term with a bigger federal establishment than at the start.

In projecting the shape and scope of his administration for the next four years, Clinton drew up a document not of administrative government reinvented, but of policy government *re*-reinvented—a return to the FDR-LBJ models of activist government. Plainly, the dedication of Governor Clinton, erstwhile chairman of the Democratic Leadership Council, to a government set in the neoliberal cast had slipped away. As president, the New Democrat quickly lapsed back into Old Democratic form.

President Clinton, give him his due, may scrape away many barnacles of the waste-fraud-and-abuse variety. He underlined that initiative by appointing Vice President Gore to head a "National Performance Review," with David Osborne as an advisor. Gore's appointment, however, does not inspire overflowing confidence. The vice president is the consummate Beltway politician (an entire career on government's payroll) and has hitherto not revealed a passion for smaller government. In fact, he was the Senate's quintessential environmentalist. Whatever else the environmental movement may be, it is inexorably statist, pressing government's intrusion not only into the ocean and the rain forest, but also into every household's wastebasket and bathroom pipe.

Still, we may concede to Clinton and Gore a generous degree of useful reinventions and disinventions of programs now on the books, flattening the payroll and privileges of the executive agencies, and casting off a range of outmoded programs and subsidies. But the list will no doubt be shorter than Clinton now believes possible; the call for sacrifice will entail draw-downs of political capital unpalatable to a leader congenitally endowed with a please-all persona. And Congress has an indomitable capacity for protecting its turf. It is a forthright deficit-cutter in the general, an implacable expansionist in the particular. A sequence of "stop me before I kill again" restraints, starting with the Budget Act of 1974, followed by Gramm-Rudman in 1985, and then the 1990 budget agreement between President Bush and the Democratic leadership, all ignominiously failed to halt the spiraling deficit.

Whatever Clinton's administrative achievements, they are sure to be swamped by new programs, beginning with the agenda already announced. Clinton's advisors are confident that the pluses and minuses will eventually achieve a satisfactory equilibrium. But even if they accurately estimate the subtractions, it is almost a mathematical certainty that they badly underestimate the additions. Harsh experience teaches that every new entitlement comes equipped with air bags that inflate in a collision with reality—witness the fourfold ballooning in outlays for Food Stamps, Medicaid and Medicare.

—*L.W.*

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What about the nonprofit sector, which figures prominently in the delivery of social services? New York City's contracts with nonprofits amount to approximately $3 billion a year, and the state's almost as much. Such contracts seem a natural arrangement: religious and charitable organizations have a venerable history in the field, social services are rarely amenable to standardized specifications, and such contracts are thought to be too "people-sensitive" to be trusted to profit-seeking private markets.

Presumably, the absence of a profit motive assures dedicated performance and faithful service. But nonprofit status does not always ensure competent or, lamentably, even trustworthy performance. Scarcely a week goes by without media disclosures of malfeasance and illegal diversion of resources at some nonprofit organization. Moreover, the ease of incorporating nonprofit agencies makes them tempting vehicles for politicians seeking financial or political enrichment. It is no secret that many contract-supported, community-based organizations are the equivalent of old-style political clubhouses. Today's "povertician" is yesterday's ward heeler. Further, many new and small community-based nonprofits, though impeccably honest, are exasperatingly undermanaged and susceptible to premature collapse.

A further problem with privatization, especially in today's urban milieu, is "creaming." Private service-providers, gazing at the bottom line, are prone to shun the underclass, abandoning it to the public sector. Bellevue and Kings County hospitals must accept patients that Mt. Sinai and Maimonides gladly avoid. Nonprofit foster homes and housing projects close their doors to depraved juveniles and unassimilable homeless, who are remanded to public care. MDRC's objective evaluation of tenant-managed public housing found that positive outcomes were largely attributable to rigorous screening and prompt eviction of undesirable families, who were then shifted to less fastidious landlords. Surely Al Shanker is right when he warns that under an unconstrained school voucher, private schools would screen out and expel the worst students, leaving them for the public schools, which would then score poorly in any comparative evaluation.

In sum, while the case for more privatization is solid, mobilizing the private sector to row government's boats is not the grand solution claimed by uncritical advocates. It must also be noted that governments are already engaged in substantial privatization. Notwithstanding New York's political culture and powerful public employee unions, for example, upwards of one-quarter of the city's combined capital and operating budget is contracted out, though not always on a rigorously competitive basis. The Human Resources Administration is virtually all steerer, and so is the Department of Housing Preservation and Development. The municipal hospitals are staffed by contract with private teaching hospitals. Given the practical limitations on carving out additions and the demonstrated fallibility of the contracting process, it is unrealistic to think that privatization could bring about more than modest improvements in the way America's states and cities are governed.

The Primacy of Policy

Even if the bulk of Osborne and Gaebler's managerial reforms were more successful and more widely copied, the result would still be undeserving of so ennobling a laurel as "government reinvented." Genuinely radical transformations in government cannot occur without radical transformations in policy, in the fundamental "what" of government as distinguished from the procedural "how."

Admire it or not, FDR's New Deal was such a transformation, as were Lyndon Johnson's Great Society and the government reforged by Ronald Reagan during his momentous first term. Roosevelt's claims on history are Social Security, a counter-Depression armory of public works and massive deficits, Lend-Lease, and Yalta—not his introduction of the Office of Management and Budget. Johnson's legacy is indelibly imprinted with Vietnam, the War on Poverty, and the civil rights revolution, not with his reorganization of the executive agencies. Reagan will be remembered for pro-

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foundly reordering the tax code, reining in social and labor excesses, and, above all, bloodlessly vanquishing an evil empire. He is not likely to adorn any pedestal for decisive victories over wasteful public programs; indeed, he ended up with a larger federal establishment than he inherited.

Radical transformations in government cannot occur without radical transformations in policy, in the "what" of government as distinguished from the "how"

The plight that Osborne and Gaebler describe—of government bloated and overreaching, overprivileged and mistrusted—owes immeasurably more to the sweep of misguided policies than to the creep of misguided management. For example, as Charles Murray argues, genuine welfare reform would require wrenching changes (a paradigmatic shift?) in programs and policies based on hallowed but self-defeating precepts that perpetuate the cycle of poverty. One such precept is that hunger must never be used as a whip—that the poor, no matter how indolent, ought not to suffer destitution. In reality, if the poor are assured of income support, their will to work or even to enroll for training is sapped. A second precept is that children are better off with their families, even if their parents are woefully irresponsible, so long as the (loose) standards of parental neglect are not inhumanely breached. This means that children will continue to serve as their mothers' tickets to AFDC. Money that child advocates would spend on children is thus appropriated by adults who may use it in antisocial ways.

Further examples are plentiful here in New York. No earnest application of time clocks and measuring tapes to the city's garbage pickup routes could even remotely offset the grievous budgetary burdens of a twenty-year retirement policy that factors final-year overtime into an already generous lifetime pension. And no conceivable administrative improvements in New York's housing programs, including a generous amount of privatization, could possibly be as efficacious as abandoning an exceedingly costly array of housing subsidies, a self-imposed burden that has never solved a sixty-year housing "crisis" aggravated by a strict regime of rent regulation.

I wish not to overstate the case. Rationally ordered public management is a precious jewel. So, too, the mindset that impels some creative official to rejigger his mousetrap to the greater misfortune of the mice. The pursuit of efficient management and innovative techniques must be ubiquitous and insistent. I myself have had a long and rewarding association with two robust institutions lastingly pledged to higher standards of public management. Both are content to toil at small, mundane, but useful tasks in the betterment of government administration and are highly esteemed for their contributions.

But the quest for ironclad efficiency never has been and never can be a transcendent priority of a democratic society, for inefficiency is carved into the granite tablets of federal and state constitutions. No private corporation could conceivably survive the monumental encumbrances to efficiency that are a free society's burden under current constitutional interpretations. A paralyzing system of checks and balances and exquisitely wrought rules of due process stay the eviction of disruptive tenants who reduce a public housing project to shambles, prohibit the expulsion of unruly students who bring ruin to an already malfunctioning urban school system, and prevent one agency from revealing to others the records of a felonious juvenile or potentially violent mental patient. A universal, tamper-proof ID card would immeasurably strengthen the efficacy of controls over illegal immigration, but is unthinkable in America. The obstacles to the enviable public-management order of a command-and-control regime, even of so benign an autocracy as Singapore, is the cost borne by a society that values freedom far more than efficiency.

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ASKS NATIONAL STUDY ON TEACHER TRAINING
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LAGUARDIA PLANS COURT SKYSCRAPER WITH PWA FUNDS
$17,000,000 Project Is
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PRESIDENT URGES NEW FEDERALISM TO 'ENRICH' LIFE
In Talk to Michigan Class He Bids U.S., Localities Join in Rebuilding Country
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Says 'Special Interests' Lead Fight While the Nation Sits on 'Economic Time Bomb'
Youths Get a Lesson in Constructive Wrecking
Rehabilitation Project Helps Develop New Skills While Clearing Slums in City
PRESIDENT ORDERS $20,375,400 IN LOANS TO START HOUSING
Grants for Planning 134,500
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23-Member Group to Seek Work for a Million In the 16-to-21 Age Range
GOLDBERG IS CHAIRMAN
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U.S. WILL ASSIST YOUTH OF HARLEM
Grants for Planning 134,500
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City Will Test 'Instant Rehabilitation' of Slums
Quick Removal of Debris and Use of Pre-Fab Units May Cut Job to 48 Hours
$7,500,000 HOUSING PLANNED IN HARLEM BY 7 SAVINGS BANKS
Mayor Reveals Medium-Rent
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JOB CENSUS BILL PASSES THE HOUSE
Democratic Majority Pushes Through the Lozier Measure on the Second Attempt
CONDEMNED AS A WASTE
Republicans Charge the 102,000 Workers Will Aid Democrats in the Fall Campaign
LAGUARDIA PLANS COURT SKYSCRAPER WITH PWA FUNDS
$17,000,000 Project Is on List Sent to Capital by Mayor for Future Loans
ADOPT-A-BLOCK AID URGED FOR SLUMS
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NYA EXPANDS SCOPE OF 'WOMEN'S CCC'
Survey of Those on Relief Planned To Facilitate Their Care by State
'Census' Outside New York City Will Study Non-Financial Problems Linked to Need, Social Workers Hear at Buffalo
Urban Plan Would Use Federal Fund
PRESIDENT SPURS HOME PEACE CORPS
Names Cabinet-Level Group to Report on Domestic Plan Before Congress Meets
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FORD FUND URGES F.C.C. TO CONSIDER NEW TV SATELLITE
Bundy Suggests Commercial Relay Income Be Used to Aid Educational Video
URGE STATE
SCHOOL LUNCHEONS
MRS. JOHNSON LAUDS PROJECT HEADSTART

Government is constantly being reinvented, as this collection of headlines from the 1930s through the 1960s illustrates.

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Confounding matters further, as James Q. Wilson noted in his 1989 book *Bureaucracy*, is the endless multiplication of missions. Contract procurement in New York is legally required to favor bidders who are "clean" with respect to South Africa, Northern Ireland, and minority vendors. Bureaucrats are ruled as much by such constraints—what Wilson denotes the "top line"—as a private business is by the bottom line. Important laws are inevitably freighted with disparate goals dear to the hearts of various legislative factions. The administrators of a highway program must carry out policies dealing with environmental protection, historic preservation, minority set-asides, and special features for the handicapped.

It is noteworthy that the Grace Commission, that fearsome scourge of waste in government, gave scant attention to the productivity potential of such managerial reinventions as tidier personnel classifications or speedier management-information flows. Instead, it developed a prodigious agenda of policy reform, tagging billion-dollar items for a gigantic yard sale to the private sector. Despite a rambunctious cross-country barnstorm by Peter Grace, fortified by an expensive media campaign, the report was without material effect. In contrast, the two Hoover Commissions, self-limited to the grayer areas of public management, performed well and true. Many structural elements and administrative procedures in today's federal apparatus are traceable to their reports. But they accomplished next to nothing in slowing down the exponential growth of government in the era that followed. David McCullough's marvelous biography of Harry Truman, who appointed the first Hoover Commission, found no space in a thousand-page tome for a single word about its work.

The primacy of policy over administration is also reflected in the academic institutions that study and advise the government. Institutions of public management have given way to institutions of public policy. Such creatures of the Progressive Era as the Maxwell School at Syracuse and the Institute of Public Administration, together with various bureaus of municipal reform and citizens' budget leagues, sought to bring integrity and efficiency to big-city government. Their object was not to contain government but to cleanse it, to erect lofty bulwarks against corruption and to replace cigar-box accounting with honest ledgers. All that, however, was in an age when the Federal Government was far smaller and municipal governments were little more than civic corporations of watchmen and custodians.

Government has been nationalized, reinvented as juggernaut. Today its watchmen lead an enormous military establishment; its custodians oversee a gigantic welfare state and legions of environmental regulators. Civic leagues and budget monitors, patronizingly designated "goo-goos," have been subordinated to a proliferation of think tanks. Terrain once inhabited by a lonely Brookings Institution is now densely crowded with policy and research centers, on-campus and freestanding, of every imaginable philosophical persuasion. Their astonishing diversity is unified by a common urge—to influence policy by adding, subtracting, or redirecting public-sector functions. True, many policy organizations find time to deal with government's administrative inefficiencies. But by and large, that's not what makes the public's heart beat. When the habitués of think tanks are called to the MacNeil/Lehrer Newshour, it is not to debate the impact of General Accepted Accounting Principles or the virtues of program-based budgets.

Such matters are not only less interesting but also far less important than the fundamental question of what we expect government to do. In electing to deal with government's means rather than its ends, Osborne and Gaebler negate both their title and their thesis. The course of contemporary government cannot be reversed, nor can its relentless budget expansions and regulatory intrusions be checked, unless its ambitions are scaled back. Massive government will not be shrunk by marginal reinventions, only by massive disinventions. As James Q. Wilson has written, "You can have less bureaucracy only if you have less government." ■

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Hard Lessons on Homelessness

The Education of David Dinkins

Thomas Main

Candidate David Dinkins argued that more housing would solve family homelessness. Within his first two years as mayor, he was proven wrong. His administration has since struggled to incorporate the lessons of its early mistakes.

When David Dinkins ran for mayor in 1989, he set forth an ambitious plan to change the way the city dealt with homeless families. Homelessness, he argued, was basically a housing problem, one that could be solved by rapidly relocating families from shelters and welfare hotels into permanent housing. Within months of Dinkins's election, however, it became clear that this approach was not working. Over the next few years, the administration slowly and reluctantly abandoned the views about homelessness that Dinkins had confidently asserted in the campaign.

The blueprint for the new administration's homeless policy had been prepared in March 1987 by a task force that Dinkins, then Manhattan borough president, appointed. Its report, entitled "A Shelter Is Not a Home," defined family homelessness in narrowly economic terms and argued that the solution was to provide more permanent housing. Since the report's authors thought the private market incapable of supplying affordable housing, the city itself would have to do the job.

In fact, the city was already providing homeless families with permanent housing, placing them in apartments rehabilitated by the Department of Housing Preservation and Development (HPD). The number of HPD units distributed to homeless families had been rising steadily during the latter years of the Koch administration. In 1985, 2,401 such units were provided to homeless families; in 1987, 3,635. In 1988, the administration planned to increase the number to 4,042. The Dinkins task force called on the city to increase its production of rehabilitated apartments for homeless families to 8,000 per year.

The Dinkins proposal assumed that doubling the supply of city-provided permanent housing would not stimulate demand for temporary shelter. In a section of its report entitled "Myths and Facts About Homeless Families," the task force criticized what it called "*Myth 7:* Families with other housing options voluntarily enter the shelter system in order to upgrade their housing at the public's expense and get priority for rehabilitated permanent housing. *Fact:* There is little evidence that families forsake stable housing arrangements hoping to get an apartment through the city."

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The report pointed out that although the number of families sheltered by the city had grown steadily during the mid-1980s (from 1,153 in January 1983 to 4,365 in September 1986), the number of families *requesting* shelter each month did not rise. "There is no indication that the availability of emergency housing has produced an increase in demand for shelter or an increase in homelessness," the report stated. The task force concluded that the growth of family homelessness resulted from too few shelter-system families moving out to permanent housing, not from too many marginally housed families moving into the shelter system.

The task force further contended that homeless families did not suffer unusually high rates of personal or behavioral problems that would impair their ability to maintain stable housing arrangements. The report pointed out that, at the time, no scientific studies had demonstrated that such dysfunctions were disproportionately common among shelter families:

> *Myth 3:* Homeless families are the "worst" of New York's welfare families. Family homelessness is the result of drug addiction, mental illness, or behavioral dysfunction. *Fact:* No facts support the belief that addiction or behavioral problems occur with more frequency in the homeless family population than in a similar socioeconomic population. Homeless families are not demographically different from other public assistance families when they enter the shelter system. . . . Family homelessness is typically a housing and income problem: the unavailability of affordable housing and the inadequacy of public assistance income.

The claim was, in effect, that since scientific research had not *proven* that the homeless were much worse in these terms than other poor people, behavioral problems were not the primary causes of homelessness, which were therefore largely structural and economic. It followed that there was no reason to expect that formerly homeless families, once they were provided with permanent housing, would not thrive and escape the shelter system permanently. "In most cases homeless families are able to manage households and can be fully integrated into ordinary permanent housing," the task force declared.

Dinkins assumed that doubling the supply of permanent housing would not stimulate demand for shelter

When Dinkins took office in 1990, his administration put its ideas to the test. The mayor appointed Nancy Wackstein, an advocate with the Citizens' Committee for Children who had served on the staff of his task force, to head the Mayor's Office on Homelessness and SRO Housing. Under her direction, the city vastly increased the supply of permanent housing for homeless families, and continued a Koch administration initiative to give homeless families priority for vacant public housing units. The results were disappointing.

Perverse Incentives

A program was already in place in 1990 to provide homeless families with permanent housing. In August 1988, in response to threats by the Federal Government to stop funding welfare hotels, the Koch administration had stepped up the supply of permanent housing and stopped assigning new families to the hotels. Instead, they were placed in barracks-style shelters (Tier I) or shelters with private rooms, congregate dining facilities, and stricter supervision than at hotels (Tier II). Families who had been in any part of the system for 12 months (later reduced to 9 months) became eligible for permanent housing.

Researchers have shown that most homeless families greatly prefer the relative autonomy of hotel accommodations to the closely supervised city shelters. Thus, the Koch administration was consciously making the conditions under which shelter-system families would await apartments less

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attractive. As a result, the number of families entering the shelter system fell during the later Koch years, even though the number of permanent housing placements increased.

Dinkins, too, wanted to end the use of welfare hotels and supply permanent housing to shelter-system families. But he pursued these goals by means quite different from those of Mayor Koch. For one thing, the Dinkins administration could draw from a greater supply of permanent housing, made available by Koch programs that were beginning to produce results. The number of HPD units going to homeless families, which had dropped from 4,042 in 1988 to 3,201 in 1989, rose to its former level. Under a 1988 agreement between the city and the Housing Authority, an increasing number of homeless families were moved into public housing. And other homeless families were relocated to privately owned apartments under the Emergency Assistance Rehousing Program, which paid landlords rent and gave them other substantial incentives to accept formerly homeless tenants.

Officials who argued that something had to be done about inappropriate use of shelters were "roundly denounced" by homeless advocates

The Dinkins administration hoped to take advantage of the increased supply of permanent housing to put an immediate end to the use of welfare hotels, which were already being phased out. But unlike Koch, Dinkins was unable or unwilling to move hotel families into less desirable accommodations to await permanent housing; further, in May 1990, the City Council had enacted legislation to phase out the use of Tier I shelters by June 1992.

Thus, the direct transfer of hotel and other shelter families to permanent housing began apace. The Dinkins administration assigned huge numbers of apartments to homeless families during the spring and summer of 1990. Between March and August, an average of 561 shelter families per month, or 55 percent of the shelter population, were referred to city-provided permanent housing; the average for the previous six months had been only 262, or 36 percent.

By some indications, the new strategy seemed to be working. As of July 1990, only 147 families remained in the infamous welfare hotels, compared with 3,306 families when Koch committed to ending the use of the hotels in 1988.

But since families entering the system were far more likely to receive permanent housing without having to wait in a shelter, the number of entries into the system went up in short order. As Figure 1 shows, immediately after the Dinkins administration began increasing the provision of permanent housing in spring 1990 (Point B), new entries to the shelter system jumped from about 530 per month to about 650 per month by July (Point C). (Figure 1 also shows how Koch's policy of shifting from the use of hotels to Tier I and Tier II shelters, initiated at Point A, led to a decline in new entries.) Researchers from the Bureau of Management Information Systems, a division of the city's Human Resources Administration (HRA), concluded that the number of entries into the shelter system "appears to be highly responsive to changes in housing and shelter policy. . . . It appears that 'word gets out' to the clients and community within months after a significant policy shift occurs, and that the perceived implications of the policy change affect the decision to enter the system or not."

Dinkins's 1987 report had, of course, argued that no such effect would occur. When entries to the shelters suddenly started going up, Wackstein recalls, "this was something pretty wild, something we hadn't contemplated."

The trend created a crisis for the city, which was legally bound by a court order, issued in the case of *McCain* v. *Koch*, to supply every applicant with shelter. "We became simply obsessed with numbers," Wackstein says. "Compliance was based on providing so many beds, so many units. There was no time for long-range planning at all."

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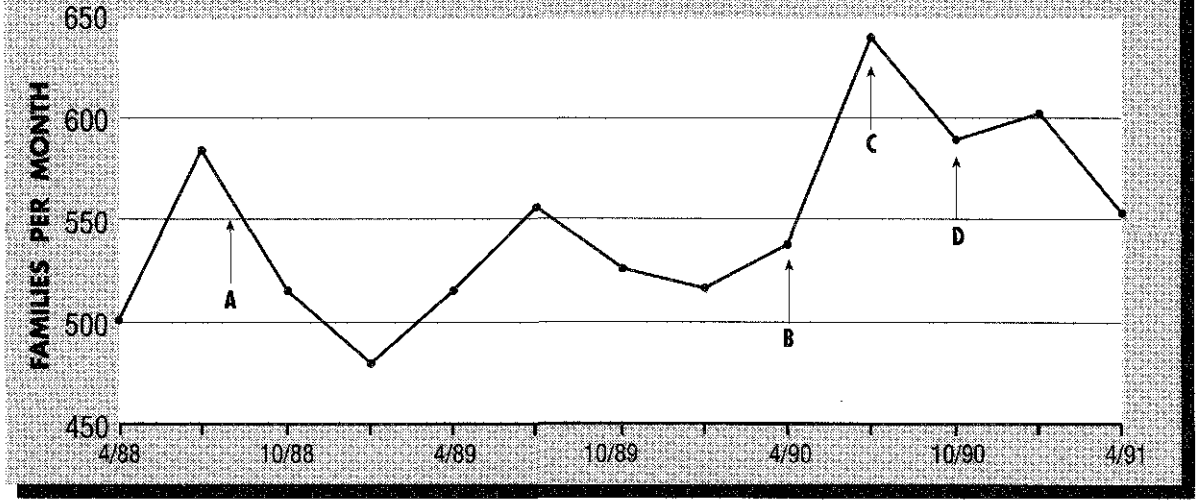
FIGURE 1

Homeless Familes Entering the City Shelter System

APRIL 1988 — APRIL 1991



KEY POLICY EVENTS

A. 8/88: Announcement that city would house homeless families in shelters rather than hotels.
B. 4/90: Apartments rapidly become available for homeless.
C. 7/90: Population in hotels hits low of 147.
D. 10/90: Alternative Pathways Plan implemented.

Source: Bureau of Management Information Systems, New York City Human Resources Administration.

By the early fall of 1990, according to some participants, Wackstein and deputy HRA commissioners Jeffrey Carples and Kenneth Murphy were convinced that the greater supply of permanent housing had stimulated the increased demand for shelter. But HRA commissioner Barbara Sabol and private homeless advocates continued to insist that family homelessness was primarily caused by a shortage of affordable housing. According to Wackstein, those officials who argued that something had to be done to discourage inappropriate use of the shelter system were "roundly denounced" by homeless advocates.

The perverse incentive, however, was of such a magnitude that the administration could not ignore it. Since the problem had been caused by an increase in the supply of permanent housing and a lessening of reliance on shelters, these trends had to be reversed. But the tactic the Koch administration had used—deterring demand for shelter by consciously making the system less attractive—was unpalatable to the Dinkins administration.

The result was the Alternative Pathways Program (APP), implemented in October 1990. Under APP, some of the HPD apartments that would otherwise go to shelter-system families were instead made available to families doubled up in private apartments. The city explained that the program would give doubled-up families an incentive to stay out of the shelters by convincing them that they had a chance of getting their own apartment.

It is doubtful that APP has been effective as a reward for doubled-up families to stay put. Because families enrolled in APP are assigned apartments by lottery, they cannot be certain of getting their own apartment. By contrast, all families entering the shelter system are still assured of an eventual transfer to permanent housing.

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APP did, however, cut the number of HPD-produced units allotted to shelter-system families by 961 in 1991, thereby reducing the yearly supply of units available to those families to about its 1989 level. By allowing the city to cut back on the supply of permanent housing to shelter-system families, the program increased the amount of time such families would have to wait before being transferred to permanent housing. As a result, entries into the system began to drop shortly after the implementation of APP (Point D of Figure 1).

In September 1991, a discouraged Wackstein resigned. In a July 1992 interview with the *New York Times*, she discussed her disillusionment with the efforts to move homeless families into permanent housing. "That was our big mission," she said. "It was the mayor's campaign issue. Boy, I believed it. I approached it with energy and passion." Yet her efforts "didn't seem to be making a difference."

The Dysfunctional Homeless

The city's policy of placing homeless families in public housing was originally a Koch initiative, but its results would challenge the Dinkins administration's assumption that homelessness is primarily a problem of economics, rather than personal behavior. In 1988, as part of its response to the Federal Government's threat to cut off funding for welfare hotels, Mayor Koch persuaded the New York City Housing Authority to commit to a four-year plan offering two thousand apartments a year—one in four of the authority's vacancies—to homeless families. The Housing Authority, which initially resisted Koch's policy, had to reorganize itself to fulfill its new obligation.

In June 1988, the authority established the Special Rental Team (SRT), whose mission was to expedite the process of determining whether homeless families were eligible to live in public housing. Those who had untreated drug, psychological, or medical problems or were suspected of criminal or disruptive behavior were supposed to be screened out.

Eligibility determinations for nonhomeless families were usually conducted in Housing Authority offices, just one day a week. The SRT, by contrast, conducted daily hearings at separate offices more conveniently located for homeless families, and in some cases would send staffers out to shelters to conduct interviews. Homeless families, therefore, got through the eligibility process in an average of two to three months, with perhaps one in three declared eligible immediately after the interview. Meanwhile, nonhomeless families faced an average six-month wait and were almost always subjected to further investigation before their eligibility was determined. Because the screening process for homeless families was less rigorous than for nonhomeless ones, some Housing Authority officials suspected that SRT was interpreting eligibility criteria rather loosely. SRT staff, however, hotly denied that they were failing to weed out dysfunctional homeless families.

In 1990, the authority further stepped up its efforts to place homeless families by establishing the Command Center, a centralized unit that aimed to speed up the process of matching eligible homeless families with vacant apartments. Normally, when a housing project had a vacancy, it would be reported

Courtesy of the Lenox Hill Neighborhood Association, Nancy Wackstein, Executive Director

Nancy Wackstein, who headed the Mayor's Office of Homelessness and SRO Housing, later lamented that her efforts "didn't seem to be making a difference."

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up through the regular chain of command: the local project manager would inform the Housing Authority's district office, and the district office would inform the central office, whose application department maintained the authority's waiting list. Under the new regime, vacancies were first reported to the Command Center, which would immediately match a new vacancy with an eligible homeless family. Early on, the Command Center interpreted its mission as ensuring that the Housing Authority filled its yearly quota of apartments for the homeless before any vacant units were made available to nonhomeless families on the waiting list. Accordingly, the Command Center would "warehouse" vacancies—that is, if a homeless family were not immediately available for a given apartment, the Command Center waited until one became available, rather than release the apartment to a waiting nonhomeless family. Only if a homeless family declined a particular vacancy, which was its prerogative, would an apartment be offered to a waiting-list family. With the establishment of the Command Center, placement of homeless families picked up sharply. In all of fiscal 1990, 2,418 homeless families received apartments, but the majority of them—1,318 or 55 percent—were placed in the final quarter of that year alone (April through June 1990), just after the Command Center had been established.

Public housing tenants resented the preferential treatment accorded to homeless families

The mission of accommodating homeless families, however, conflicted with the Housing Authority's institutional interests, as well as the interests of its tenants. The city's public housing managers had held "an article of faith for many years that the New York City Housing Authority maintains its reputation as the very best of the large public housing authorities in the nation because of its deliberate policy of an 'economic mix,'" as Sally Hernandez-Piñero, now the authority's chairman, explains. In order to maintain social stability, the authority has tried to balance the population in its roughly 179,000 apartments at about one-third elderly, one-third working poor, and one-third very-low-income (families on public assistance). But between 1985 and 1991 the mix of entrants into the authority changed drastically. Very-low-income families increased from 32 to 54 percent of total yearly entrants, while the elderly decreased from 49 to 35 percent and the working poor dropped from 19 to 12 percent. Housing Authority officials came to see the homeless referrals as a threat to their long-standing policy of "economic mix."

Public housing tenants resented the preferential treatment accorded to homeless families. In 1990, Housing Authority projects were home to some 100,000 members of families doubled up in authority units, in addition to their 470,000 authorized residents. These doubled-up residents were eager to apply for public housing vacancies, but found that none would be available until SRT had filled its quota for homeless referrals. Housing Authority tenants did not take kindly to seeing their own "internal homeless" pushed to the back of the line.

By 1990, tenants had become so frustrated that they held public demonstrations protesting the expedited placement of homeless families in public housing. City hall dispatched First Deputy Mayor Norman Steisel and HRA Commissioner Barbara Sabol to soothe tempers at a public meeting with Housing Authority tenants. They promised to transfer some $1 million from HRA to the authority in order to cover costs associated with integrating the formerly homeless families. (These funds were eventually cut from the HRA budget and therefore were never transferred to the Housing Authority.)

It was only a matter of time before Housing Authority officials would side with their tenants, partially as a means of strengthening their own hand in the interbureaucratic struggles over responsibility for the homeless. "I can't have any moral authority if I have to say to our people that they have to do something that I know is undermining our hous-

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FIGURE 2

Characteristics of Homeless and Housed Poor

(Heads of Household)

	PERCENTAGE OF HOMELESS	PERCENTAGE OF HOUSED POOR
DEMOGRAPHICS		
Black	54	32
Hispanic	40	59
White	4	5
Other race	2	4
Under age 30	73	39
DISABILITIES		
Substance abuse	5	1
Substance abuse by family member or close friend	12	6
Ever participated in drug or alcohol detoxification program	8	2
Spent at least one night in a mental hospital	5	1
Experienced at least one "disruptive event" during childhood	32	14
Experienced at least one "disruptive event" during adulthood	45	20

Source: James Knickman and Beth Weitzman, Health Research Program, New York University.

ing," explains Hernandez-Piñero, who became Housing Authority chairman in February 1992. "That just goes to the core of the relationship I'm trying to develop with the tenants. The stories of some of the people on our waiting lists would break your heart too."

The resistance to homeless families among public-housing tenants likely came as a surprise to the Dinkins administration. "A Shelter Is Not a Home" had attacked "*Myth 13:* No community wants housing for the homeless in its own backyard. *Fact:* . . . Communities have accepted housing for the homeless when the facilities are small-scale and well-supervised by an accountable non-profit organization, priority is given to homeless people from the same area, and advance planning includes local input."

Public housing tenants certainly would have been more receptive to the policy if it had given priority to "homeless people from the same area"—that is, to doubled-up families in public housing. But this is as much as to say that the Housing Authority should not have accepted outside homeless families in the first place, since its own internal homeless could have filled most, if not all, of the available vacancies.

Even if the homeless families referred to public housing had possessed the social skills of diplomats, regular tenants would likely have resented a policy that put them at a disadvantage in getting vacant apartments. But were the tenants' doubts about the functioning capabilities of the homeless justified, or were they, as Dinkins's task force had argued in 1987, the result of "stereotypes of homeless people which have aroused unfounded fear and prejudice"?

In September 1989, New York University's Health Research Program published a scientific study that supported the tenants' view. The control-group study compared 704 homeless families requesting shelter at one of the city's emergency assistance units with 542 nonhomeless families on public assistance interviewed at welfare offices.

The findings of the study, shown in Figure 2, contradict several of the assertions made in Dinkins's 1987 report. For one, homeless families are in fact demographically different from other public assistance clients. They are more likely to be black, less likely to be Hispanic, and much younger on average than nonhomeless poor families. Further, homeless families have consistently higher rates of behavioral problems than their housed counterparts. "On

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almost every measure of 'well-offness' or ability to function independently," the authors remarked, "homeless families are in somewhat worse shape than the housed public assistance population."

The word "homeless," in contrast with a term like "underclass," stresses the economic aspects of homelessness and diminishes the behavioral and social aspects

It is true that reported substance-abuse and mental health problems involve only a minority of homeless families. One should not conclude, however, that the higher reported rates of behavioral problems among homeless families are too small for such problems to play a role in causing homelessness. A combination of such "small" differentials can have a powerful impact. "Although the differences in the two groups are not dramatic for many of the individual measures, the cumulative effects of the higher incidence of numerous problems may be the major cause of many families' homelessness," the study noted. It seems likely, based on the NYU findings, that at least 15 to 20 percent of homeless families suffer from at least one type of dysfunction. This is a large enough proportion that it is reasonable for landlords and public housing tenants to worry whether a formerly homeless family would make a desirable tenant or neighbor.

When, under Hernandez-Piñero, the Housing Authority undertook an unscientific survey of its formerly homeless tenants, the results bore out concerns that SRT was doing an inadequate job of screening homeless families. "We tracked our first two thousand homeless families," Hernandez-Piñero has said, "and it is clear that there is a high incidence of contact with the Police Department, drug dealing, and harassment of other tenants."

Because of these problems, the Housing Authority has reduced its efforts to place homeless families. In the summer of 1991, the Command Center abandoned its practice of "warehousing" vacant apartments for the homeless. In June 1992, Hernandez-Piñero abolished the SRT. Homeless families applying for vacancies in public housing are now subject to the same eligibility review as everyone else. And Hernandez-Piñero renegotiated the 1988 agreement, so that the authority is obliged to accept only about 1,400 homeless families a year.

Although it is true that some families become homeless for economic reasons, the results of the efforts to place them in public housing undermined the assumption that the problem is primarily economic. This assumption is implicit in the word "homeless" itself, which, in contrast with a term like "underclass," stresses the economic aspects of homelessness and diminishes the behavioral and social aspects. As Wackstein observed in July 1992, "'Homelessness' is a useless word because it describes so many different kinds of people with different problems. A crack-abusing young man on the street has different problems than a mentally ill alcoholic in a flophouse than a teenage mother on welfare."

Dinkins's About-Face

The Dinkins administration realized early on that its approach to homelessness was not working. As a response, in September 1991, Mayor Dinkins farmed out the job of rethinking homeless policy to a Commission on the Homeless, headed by Andrew Cuomo, the governor's son (and now an assistant secretary of housing and urban development). In February 1992, the commission released its report, "The Way Home: A New Direction in Social Policy," which refuted the assumptions that had guided the early Dinkins policy.

The commission forthrightly acknowledged that placing thousands of homeless families into permanent housing contributed to an enormous surge of families entering the shelter system. It also acknowledged that behavioral problems were an important cause of homelessness. It conducted its own extensive survey of homeless individuals and

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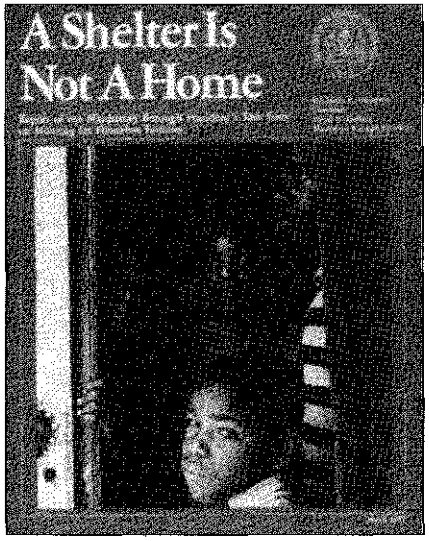

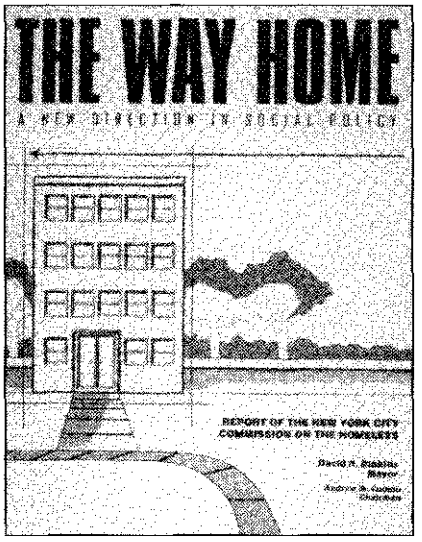

The Cuomo Commission report (right) represented a dramatic reversal of the views David Dinkins had expressed as Manhattan borough president in "A Shelter Is Not a Home," five years earlier.

families in the city. "The results were enlightening. The commission found that homelessness is frequently a symptom of some underlying problem, such as lack of job skills or education, a substance-abuse problem, or mental illness. It results when one or more of these problems interact with a number of social and economic factors, including a shortage of affordable housing." The commission's data were striking: fully 42 percent of the families surveyed seemed to have either a mental health or drug problem, and no less than 29 percent of adults in shelter families tested positive for illegal drugs.

The commission went even further, arguing that the sociological reality of homelessness in New York was incompatible with a policy of unconditional right to shelter. Advocacy groups had won recognition of such a right in lawsuits they filed against the city and state: first, in 1979, for single men (*Callahan* v. *Carey*), then, in 1983, for families (*McCain* v. *Koch*).

These advocacy groups pursued such cases in the belief, shared by Dinkins in his 1987 report, that homelessness was primarily an economic problem. The "basic thrust" of this strategy, according to the Community Service Society, was "to shift the focus from rehabilitation, the attempt to return the disabled to normalcy, to welfare." The Cuomo Commission argued not only that such an approach misunderstands the true nature of homelessness, but also that it strains the city's limited resources. "Government should not, and cannot, be expected to provide housing to everyone who asks for it," the commission stated. "A determination of need must be made so that government's limited resources can be targeted to the most needy."

The Cuomo Commission made a number of policy recommendations, including the creation of a new "small, entrepreneurially styled" city agency that would coordinate efforts to deal with homelessness; provision of rent vouchers to homeless families; increased reliance on nonprofit organizations, rather than city agencies, to provide services to the homeless; and, most importantly, establishing requirements that homeless families undergo screening and treatment before being assigned to permanent housing.

The Dinkins administration's response was decidedly ambivalent. Three weeks before the commission released its report, city officials, including Deputy Mayor Cesar Perales and HRA Commissioner Barbara Sabol (herself a member of the commission), were already criticizing it in the press. When the report was released in February 1992, the mayor would only say, "I'm fully com-

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mitted to examining whether we can go forward." He quickly created another panel to explore the practicality and political viability of the proposals.

Several factors may explain the official resistance to the commission's recommendations. In objecting to the proposed new agency, for example, Sabol may simply have been trying to protect her own bureaucratic turf. The same may have been true of HPD Commissioner Felice Michetti, who questioned the use of rent subsidies. On the other hand, there were indications that the administration was applying the lessons of its early policy failures. In May 1992, *Newsday* reported that "a large-scale voucher program . . . worries officials, who fear that doubled-up families might flock to the shelters in search of apartments."

Rather than the streamlined, entrepreneurial agency suggested by the Cuomo report, Dinkins proposed a new Department of Homeless Services with a staff of nearly three thousand

While Dinkins was initially slow to act, by September he had embraced the commission's recommendation to require homeless families to earn placement in permanent housing by participating in treatment and training programs. He also called for the creation of a new city agency to deal with homelessness. But rather than the streamlined, entrepreneurial agency suggested by the Cuomo report, Dinkins proposed a new Department of Homeless Services with a staff of nearly three thousand, most of whom would be transferred from HRA.

As of mid-May 1993, the mayor's proposal was stymied in the City Council. Speaker Peter Vallone, who had enthusiastically endorsed the Cuomo Commission recommendations when they were released, objected to the size of the proposed agency and argued that the mayor had not specified how the revamped shelter system would deal with such matters as drug treatment, mental health care, and job training. Charles Raymond, appointed by the mayor to head the proposed new agency, testified before the council that the administration had been so occupied with the logistics of establishing the agency that it had not had time to "present that kind of gigantic plan."

Mayor Dinkins and some of his top administrators deserve considerable credit for facing up to the truth that they have pursued a wrongheaded policy. They have acknowledged that perverse incentives and behavioral problems are central to the problem of family homelessness, and the Cuomo Commission has developed a detailed plan for reform. But the administration has not yet been vigorous enough in translating its own hard-won insights into policy. Whether because of ideological reservations or bureaucratic turf wars, the administration has not unequivocally embraced, much less effectively implemented, the recommendations of the Cuomo Commission report. Only if the administration gets serious about acting upon its own epiphanies can Dinkins succeed in his campaign promise to make fundamental reforms in homeless policy. ■

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Ten Ways to Trim the Budget

Bruce Bender
and Amy Klein

The city is in increasing danger of a serious fiscal crisis unless it drastically reduces its spending. Here are ten proposed budget cuts that would not adversely affect basic city services.

If New York City continues on its current fiscal course, it will soon face a crisis comparable to that of the 1970s, likely leading to draconian budget cuts and a state takeover of the city's finances. The city's budget has a structural imbalance—a long-term difference between spending commitments and expected revenues—conservatively estimated at between $1 billion and $2.6 billion per year. Mayor Dinkins's $31.4 billion Executive Budget for fiscal 1994, released on May 3, 1993, is balanced, as required by law—but only because it relies on a series of unrealistic assumptions that mask the reality of the coming crunch:

- It assumes $250 million in gap-closing aid from the Federal Government and $280 million from the state, sums that are unlikely to materialize.
- It proposes, as a one-shot financing tool, selling the city's outstanding property tax bills to a bank for $215 million.
- It assumes the city will sell the Off-Track Betting Corporation for $55 million, though no deal has been put together and officials from the mayor's Office of Management and Budget concede the sale will not happen during fiscal 1994.
- It assumes the city will realize $45 million by renegotiating a lease agreement with the Port Authority, though this deal is also unlikely to happen during fiscal 1994.
- In another one-shot, it assumes that the Federal Government will refund $85 million in Social Security taxes paid by the city, though the IRS has not yet agreed upon a dollar amount.
- It underestimates overtime expenditures by some $100 million.
- It diverts $20 million from a defunct pension account that should be used to fund shortfalls in other pension accounts.
- It proposes cutting $50 million from the Board of Education by eliminating a preparatory period for teachers, even though a labor arbitrator has ruled that the city cannot do this.

On May 25, the three private-sector members of the state's Financial Control Board—the panel that would take over the city's financial affairs in the event that a fiscal crisis necessitated a "control period"—released an extraordinary letter harshly criticizing the mayor's budget. "The choices the city has made to produce balanced

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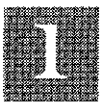
budgets for the next 14 months skirt the critical objective of . . . lasting, structural balance," they wrote. Even if all the mayor's assumptions pan out for 1994, the city will face a budget gap of $1.6 billion in fiscal 1995, $2.2 billion in 1996, and $2.6 billion in 1997.

To bring its finances back into balance, the city cannot rely on tax increases, which would only worsen an already weak economy. Washington and Albany, under fiscal pressures of their own, are unlikely to offer the kind of massive aid needed to close the gap. The only answer, then, is for the city to make serious spending cuts.

We have compiled a list of ten ways in which the city could save money without harming basic services. This list is by no means comprehensive, but it represents a starting point in the effort to put the city's fiscal house in order. Some of these cuts could be achieved by the city itself, while others would require action by the State Legislature. Some would require a show of political will by the city's leaders, but none would adversely affect the quality of life for the vast majority of New Yorkers, and some would even improve city services.

Given the gravity of the city's fiscal problems, a serious effort to cut the budget cannot wait any longer. Here, then, are our ten proposals:



Reduce the use of overtime by city employees.

Savings: $18 million to $75 million per year.

When the city prepares its budget, it allocates a lump sum to each agency for overtime pay, without evaluating its actual needs, and the agency proceeds to spend whatever it deems necessary or acceptable. If an agency exceeds its overtime budget, as many do, the city routinely grants a budget modification to reconcile spending.

The city projected it would spend $244 million on overtime during fiscal 1993; in the first eight months of the fiscal year alone, the figure reached more than $254 million, not including $18 million made necessary by the February 26 bombing of the World Trade Center and the March 13 blizzard. This is nothing new: in fiscal 1988, city agencies exceeded their overtime budgets by 91 percent; in 1992, by 41 percent. If the city had spent only what it originally allocated for overtime in 1992, it would have saved $98.8 million.

Why does the city routinely underestimate its overtime expenditures? A review of the past eight years suggests that such estimates are deliberately low as part of the effort to create the fiction of a balanced budget. The mayor's fiscal 1994 Executive Budget estimates overtime at $248 million, $142 million less than the city now expects to spend on overtime during fiscal 1993. But the budget specifies no means by which overtime costs will be cut. As the year progresses, the mayor will be looking for additional funds for overtime.

Overtime spending has been growing steadily. In fiscal 1986 it consumed $190 million, or 1.8 percent of payroll expenses. In fiscal 1993, it is expected to exceed $390 million, or 2.6 percent of payroll. Moreover, some overtime expenditures impose additional long-term burdens on the city. Pension payments are based on the average salary earned during the last three years of employment, so employees are able to increase their pensions by amassing overtime during their final years. Some employees have nearly doubled their pension base in this way. The city has a recommended cap on overtime accumulation, but city commissioners are free to ignore it.

The city could reduce overtime expenditures through several different reforms. It could, for example, use compensatory time rather than additional wages to pay many civilian employees for extra hours. And in some instances it is cheaper to hire an additional entry-level worker than to pay

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time-and-a-half to a highly paid senior employee. Some fiscal experts argue that overtime is a necessary evil, that it is less costly than hiring additional workers with a full package of benefits. One solution to this problem would be to use temporary workers, an increasingly common practice in the private sector. Another would be to reexamine work rules that encourage abuse of overtime. The Department of Correction, for example, gives its workers unlimited sick leave, and the Sanitation Department gives its garbage collectors a day's pay to complete a route that takes far less than the allotted six hours.

The City Council has introduced legislation that would cap overtime expenditures. Any time an agency exceeded its limit, it would be required to appear before the council to justify the excess. In addition, the city should either institute a strict cap on overtime for employees on the verge of retirement, or stop including overtime in pension calculations. If the city could reduce overtime spending by just 5 percent, it would realize a net savings of more than $19 million annually.

Consolidate community school board elections with regular primaries.

Savings: $1.5 million per year.

Community school board elections are held every three years, separately from all other city elections, ostensibly in order to focus attention on the school boards. Instead, the isolated elections have generated an anemic voter turnout, averaging about 6 percent, or 178,000 voters citywide. Even in April 1993, when controversy over the Rainbow Curriculum drew unprecedented attention to the elections, voter turnout reached only 10 percent.

Holding separate elections costs the city an estimated $4.5 million, or $25 per voter, every third year. This sum could be saved by holding school board elections every two or four years, at the same time as regular primaries. Such a change would not only save money but also make local school boards more accountable by exposing them to a wider electorate. And still more money could be saved by abandoning the confusing system of "proportional representation," which requires cumbersome paper ballots rather than the voting machines used in regular elections.

These changes would require approval from the State Legislature, which sets the terms for school board elections.

Privatize the Off-Track Betting Corporation.

Savings: $25 million to $50 million first year, $8 million to $20 million per year thereafter.

New York City's Off-Track Betting (OTB) Corporation is a rarity: a gambling operation, with a legal monopoly, that is unprofitable. In fact, nearly eighty of its ninety branches lose money. OTB is expected to have a handle (the total of all bets) in excess of $825 million in 1993, but will not provide any residual revenues to the city. In fact, if not for a surcharge on winning bets, the city would be subsidizing OTB this year by nearly $2 million.

OTB, established in 1970 as a public benefit corporation, has been little more than a patronage haven. It employs 1,500 people, many of whom are friends of the mayor and contributors to his campaign. A 1992 City Council Finance Committee report found that OTB squanders millions of dollars a year on official perks, political contributions, and questionable contracts. Top OTB managers have chauffeur-driven cars, a luxury not accorded to commissioners of city agencies. Officials spend hundreds of thousands of dollars a year on meals and travel. OTB's president, Hazel Dukes, for example,

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recently visited St. Croix at the corporation's expense, ostensibly to attend a conference on economic development. The corporation has contributed money to elected officials, including the chairman of the State Assembly's Racing and Wagering Committee. OTB has used its print shop to publish political newsletters for various organizations, including the NAACP, which Dukes formerly headed. OTB gave a $1 million restaurant concession to a company called Ward & Ward, headed by Lee Dunham, a close friend and contributor of the mayor—and the head of the search committee that "found" his firm.

For the past few years, the city's Office of Management and Budget has estimated that OTB would be worth $50 million if sold to a private company. Its value may be lower now as a result of continuing mismanagement. But if it were run as a for-profit business, OTB could generate millions of dollars in revenue for the city, which could continue imposing a surcharge on winning bets and establish annual franchise fees or a payment scheme giving the city a percentage of net handle. If the city were to receive 1 percent of handle, it would realize $8.5 million annually.

Eliminate redundant departments of the mayor's executive office.

Savings: $1.32 million per year.

The mayor's office has numerous departments whose missions closely resemble the responsibilities of other agencies. Most could be eliminated:

- The Office of Homelessness and Single Room Occupancy Housing Services could be transferred into the Department of Housing Preservation and Development, where its responsibilities could be handled by existing HPD staff with one additional staff member to oversee the office. (Savings: $275,000.)
- The Mayor's Office of Volunteers could be transferred into the Department of Employment, with its responsibilities handled by existing employees and one additional staff member. (Savings: $300,000.)
- The Office of Environmental Coordination could be transferred into the Department of Environmental Protection, again using existing employees with one additional staff member. (Savings: $190,000.)
- The Office of Education Services could be eliminated, as its responsibilities are already handled by the Board of Education. (Savings: $100,000.)
- The Office on Health Policy could be eliminated, as its responsibilities are already handled by the Board of Health, Department of Mental Health, and Department of Social Services. (Savings: $100,000.)
- The Office of Asian Affairs, Office of Latino Affairs, Office of African-American and Caribbean Affairs, Office of European-American Affairs, Office of Immigrant Affairs, and Office for the Gay and Lesbian Community could be merged into one Office for Constituent Services. Since each of these offices has its own director, paid an average of $70,000, an annual savings of at least $350,000 could be realized.

Contract custodial services in schools to private firms.

Savings: $20 million per year.

The custodians' $220 million contract with the Board of Education has been one of the most publicized examples of waste in city government. Custodians, who earn up to $80,000 a year, are required to clean only 20 percent of each school, wash the cafeteria floors only once a week, and paint only the bottom eight feet of school walls. Custodians also control the keys to school build-

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ings, so principals cannot keep them open after hours for extracurricular activities.

Despite the poor quality of their services, custodians receive extravagant perks. They are able to hire their own staff, and often employ relatives and friends. When they purchase vehicles and other capital equipment for the schools, they can later buy it for themselves at a fraction of its value. Custodians have total authority over their expenses and are not required to provide detailed accounting. Supervision is so poor that a recent press exposé found some custodians working as pilots, lawyers, and yacht captains while they were simultaneously paid to keep their schools in order.

Contracting with private firms would provide a much higher level of service at lower cost, according to a recent evaluation by the Board of Education and the Office of Management and Budget. Schools could be kept open until 10 P.M. and be cleaned every day. Privatization would save the city at least $20,000 per school each year. With more than a thousand public schools in the city, the savings would amount to a minimum of $20 million annually. Even more could be saved through additional efficiency and productivity initiatives.

6 Consolidate the Department of Cultural Affairs into the Department of Parks and Recreation.

Savings: $2 million in operating funds and $2 million to $3 million in capital funds per year.

The Department of Cultural Affairs was originally only a division of the Department of Parks and Recreation. In 1977, the city created a new agency to lobby for federal and state arts funding and promote New York's cultural institutions. At the time of its creation, the department had a staff of 6; today it has a staff of 55 and an operating budget of $2.8 million.

The agency serves primarily as a "pass-through" for some $67 million a year in grants to artistic institutions. It also determines the capital needs of 32 major city-subsidized cultural institutions, though their capital programs are overseen by the Department of General Services. The Department of Cultural Affairs plays no part in the management or operation of cultural institutions, and its lobbying efforts have not borne fruit—all levels of government have reduced cultural funding over the past few years.

The Cultural Affairs Department could easily be consolidated back into the Parks Department. A City Council study has found that the department's pass-through function could be handled readily by existing Parks Department personnel. The capital program could also be transferred to the Parks Department capital division, which has a better record of controlling costs than the Department of General Services. The Parks Department would also give cultural institutions a higher priority than General Services, which is responsible for the capital programs of 13 other city agencies, including the Police, Fire, and Correction departments.

7 Abolish the Art Commission.

Savings: $212,000 per year.

On the third floor of City Hall, in a minuscule office with six paid employees, is an agency that has cost the city and private institutions millions of dollars since its creation. The New York City Art Commission, with a budget of $212,000, is charged with approving works of art—including sculptures, paintings, murals, fountains, and monuments—that are to be erected on or over land belonging to the city. The Art Commission has authority over all buildings, gates, fences, piers, curbs, lampposts, and even traffic signals on city property.

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This commission, so obscure that it does not even have its own line in the budget, has veto power over many necessary building projects. Several years ago, for example, it forced the Board of Education to spend $75,000 for a mural before it would grant permission to build a field house in Brooklyn. Later, while city schools faced massive overcrowding and children were being taught in closets and bathrooms, the commission held up the approval of 19 mini-schools because, in the opinion of its ten members, the designs were not "artistically favorable." At some city agencies, officials have become so fed up with the delays caused by the Art Commission that they have defied the legal requirement that they consult the commission before beginning construction.

The Art Commission is also a burden on the private sector. For instance, officials of the New York Stock Exchange wanted to build planters on the sidewalks around the Exchange in order to combat illegal peddlers whose presence was both an eyesore and a safety hazard. It took the Art Commission nearly two years to arrive at a consensus on what sort of planters would be aesthetically pleasing. The process required the Stock Exchange to spend tens of thousands of dollars in consulting fees for lawyers and architects.

Eliminating the Art Commission would directly save the city $212,000; we have made no estimate of the indirect savings that would result from doing away with this bureaucratic roadblock to public and private development.

Cut waste in the capital budget.

Savings: At least $45 million per year.

The city's fiscal 1994 budget projects capital expenditures in excess of $5.2 billion. Since the city goes into debt to pay for its capital program, high capital expenditures have long-term costs. Debt service, in fact, is the fastest-growing part of the city budget, expected to consume nearly $2.7 billion, or 13 percent of city revenues, in fiscal 1994 and grow to $4.1 billion by fiscal 1998. Without a major reduction in the capital plan, debt service costs will continue to grow.

A 1 percent reduction in the four-year capital plan would amount to about $160 million, and would reduce debt service costs by some $17 million. The city could realize such savings without sacrificing vital infrastructural improvements; it has many opportunities to cut wasteful programs and streamline bureaucratic procedures. Among them:

- The city could extend the useful life of its vehicles by instituting a preventive maintenance program and abandoning its current policy of replacing vehicles every five years. The Department of Sanitation, for instance, sold "old" street sweepers to the town of Hempstead for $15,000 each, then purchased new ones for $80,000.
- The city could exercise better judgment in choosing equipment. The Fire Department, for instance, recently purchased new fireboats for $7 million each—and then found that the boat engines freeze during the winter.
- The city could cut back on its plans to replace and expand court facilities, expected to cost more than $2 billion in total. In the new facility at 80 Centre Street, each judge will have his own courtroom, and all courtrooms will be at least 1,200 square feet. But judges could easily share courtrooms, since they do much of their work in their chambers, and many trials can be accommodated in courtrooms of about 900 square feet.
- The city could reconsider some of the $350 million in capital funds it plans to spend in fiscal 1994 on the Health and Hospitals Corporation. Such expenditures may not be necessary in light of the city's plan to create a Primary Care Development Corporation, which should reduce the need for emergency room care at city hospitals.

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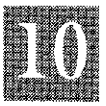
• The city could streamline its procedures for approving capital projects. For example, a typical project of the Department of Parks and Recreation requires approval from the Parks Department itself, the affected community board, the Office of Management and Budget, the Department of General Services, the Comptroller's Office, the Art Commission, the Mayor's Office of Contracts, the Office of Construction, the Office of Minority Contracts, the Corporation Counsel, and, in some cases, the Department of Transportation and the Department of Environmental Protection. The elaborate administrative burden of these approvals adds costs at each stage of the process.

Repeal the Wicks Law.

Savings: $40 million to $80 million per year.

Mayors from John Lindsay to David Dinkins have called for the repeal of the Wicks Law, actually a series of state statutes governing public construction. The Wicks Law requires that the city hire four separate contractors for each project: for general construction, plumbing, electrical work, and heating and ventilation. In the private sector, by contrast, a developer typically hires one general contractor, who has responsibility for overseeing the work of specialized subcontractors on particular aspects of the project. The state's Division of the Budget and the city's Office of Management and Budget have estimated that the Wicks Law adds at least 20 percent to the projected cost of the average project.

Under Wicks, contractors have no authority over each other, so it is the city's responsibility to coordinate timetables, designs, and payment schedules. In addition to imposing these administrative burdens on the city, the Wicks Law also leads to costly conflicts among contractors. In one case, an entire public housing project was delayed while two contractors argued over whose job it was to sweep the floor. Such problems lead many of the most qualified contractors to refuse any public work in New York.



Stop the growth of capital spending in the Department of Housing Preservation and Development.

Savings: $82 million per year.

More than two decades ago, the City Council uncovered a major scandal in the Housing and Development Administration (HDA), which administered a program to rehabilitate low-income housing. The council's February 1972 report called HDA's program "a textbook lesson in profligate spending, deplorable mismanagement, abject incompetence and widespread corruption." Today, the mayor proposes to increase capital spending on HDA's successor, the Department of Housing Preservation and Development (HPD), by $82 million, from $278 million to $360 million. But HPD has many of the same problems that plagued its predecessor agency twenty years ago.

The City Council Finance Committee conducted a case study of one of HPD's programs, the Bureau of Vacant Apartment Repair and Rehabilitation (BVARR), which rehabilitates apartment buildings seized *in rem* (for back taxes) to provide housing for homeless families. The investigation found widespread theft of supplies: maintenance mechanics stole tools, refrigerators, and Sheetrock, either for personal use or to be resold. Most of the program's workers were not licensed, and their work was usually below standard. One of the buildings the committee cited for shoddy workmanship later collapsed. At one BVARR site, employees were running a loan-sharking operation.

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In the summer of 1992, the city responded to these allegations, ostensibly by abolishing BVARR. But it was replaced with a new program called the Bureau of Abatement, Repair and Renovation (BARR)—with the same employees and the same mission.

While the Finance Committee's investigation was limited to the BVARR program, numerous witnesses attested that the problems are typical of other *in rem* rehabilitation programs. Given this record, it seems irresponsible to increase HPD's capital budget. In the long run, the city should reconsider whether it is a wise policy even to have an HPD in its current form. Rather than manage thousands of apartments and turn some over to nonprofit organizations, the city might be better off if it put *in rem* property back on the tax rolls by auctioning it off to private developers.

Conclusion

As we noted at the outset, this list is far from complete; examples of waste and duplication are legion in city government. The Police Department has purchased hundreds of new cars that are being stored under 24-hour police guard on a sinking pier in Brooklyn. Community school boards spend tens of thousands of dollars on out-of-town travel, meals, and seminars. The Queens public library system spends more than $60,000 a year paying an outside lobbyist to lobby the city.

Thirteen agencies, ranging from the Taxi and Limousine Commission to the Department of Health to the Board of Education, have their own tow truck operations—a function that could almost certainly be provided more cheaply by the private sector. At least seven city agencies have jurisdiction over homelessness, and that excludes the Board of Education, the Department of Youth, the Department of Employment, various boards and task forces, and the mayor's proposed new Department of Homeless Services. The Department of Sanitation has more than two thousand garbage trucks, yet the Parks Department has a hundred trucks of its own to pick up refuse in parks and other areas under its jurisdiction. On 106th Street and Broadway, for example, the Sanitation Department empties trash baskets on the sidewalk, while Parks Department collectors pick up garbage at Strauss Park across the street.

There is no shortage of ways to cut the city budget without damaging New York's quality of life. But it is urgent that the city's leaders muster the will to do so. If they lack political courage now, they will very likely face both fiscal and political disaster within a few years, as the state assumes control of the city's finances. The city still has time to act, but that time is growing short. ■

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Race and Reporting

William McGowan

America's newspapers are championing "diversity" in their hiring and editorial policies. But this diversity agenda raises disturbing questions about the way the news is covered, as demonstrated by a survey of the *New York Times* and *Newsday*'s coverage of recent racial incidents.

In 1968, the Kerner Commission report laid part of the blame for urban riots on the nation's newspapers. The commission accused the press of insensitive coverage of minority communities and "shockingly backward" employment practices. Since then, the proportion of nonwhites among newspaper professionals nationwide has increased from 0.3 percent to 9.4 percent. But "diversity" remains one of the hottest issues in American journalism.

Major newspaper chains like Gannett and Knight-Ridder are waging aggressive campaigns to recruit minority reporters and editors. Editors at the *Chicago Tribune* have been told their annual bonuses will be affected by their ability to hire and promote blacks. The Associated Press and Times-Mirror (publisher of *Newsday* and the *Los Angeles Times*) have special internship programs for nonwhites, and some papers conduct "news audits" to determine whether their coverage is biased against minorities. The American Society of Newspaper Editors has said it hopes to achieve proportional representation on newsroom staffs by 2000. This is an ambitious goal; it would require tripling the number of minority reporters and editors within seven years.

The *New York Times* has been in the vanguard of this movement. Diversity is the paper's "single most important issue," according to Arthur Sulzberger Jr., who became publisher in January 1992. The *Times* has made a priority of hiring and promoting minority reporters and editors. In December 1990, Gerald Boyd, the first black manager in the *Times*'s Washington bureau, was made editor of the Metro section; he expanded coverage of the outer boroughs, which the paper had previously given short shrift. In addition, the *Times* has formed a diversity steering committee composed of top editors, and black and Latino reporters have had unprecedented access to top management for airing their grievances and presenting their ideas.

But the diversity agenda has created dissension in the newsroom. A recent *Esquire* article on the *Times* described a staff polarized along racial lines. While black reporters complained that management wasn't

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moving quickly enough in its diversity efforts, some white reporters grumbled about being told certain stories were reserved for minorities, about editors tailoring stories to suit their political tastes, and about constant harping on the "white, male point of view."

There is trouble up the ladder too. In December 1992, Sulzberger stunned a conference sponsored by the Newspaper Association of America when he confessed that members of his top-level editorial steering committee on diversity had "been at each other's throats" and had to go on a three-day retreat with professional mediators "to get them talking again." The cultural change demanded by diversity, Sulzberger sighed, is "hard, brutal stuff."

The movement for diversity has unquestionably had some beneficial results. No longer are newsrooms nearly all-white bastions, concentrating their attention on all-white precincts of power. But the diversity agenda has evolved into something more than a drive to expand minority hiring and coverage of minority communities. It also aims to give that coverage a distinct perspective—a goal that raises disturbing implications for the way the news is reported. The journalistic tradition that aspires to unbiased reporting of facts is now said to embody a "white, male point of view" that must be balanced by other viewpoints. Accordingly, the *Times* is studded with stories about minority issues and themes, written by minority reporters who have been encouraged to write expressively.

What effect has this new journalistic approach had on the way citizens are informed about their government? With racial and ethnic relations playing an important role in public policy, and occasionally exploding into violent confrontation, this is a crucial question for both the press and society. New York City, with its often fractious ethnic politics, is a particularly good place to look for the answer.

In 1989, the city elected a mayor whose model of governance is strikingly similar to the press's diversity agenda. David Dinkins's vision of the city as a "gorgeous mosaic" represents a subtle repudiation of both the "melting pot" and the integrationist ideal. Dinkins and the press implicitly share the premise that a diverse population is best served by affirming the distinctive cultural identities and political interests of various groups, even at the expense of common standards and reference points.

When Dinkins was elected, the press celebrated the promise of racial peace that the "gorgeous mosaic" seemed to hold out. In its primary election endorsement, *Newsday* called him "the healer this city dearly requires." Even at the *New York Post*, the only major New York paper not to endorse Dinkins in the general election, columnist Pete Hamill said Dinkins's election brought a sense that "history had just begun—the history of New York in the twenty-first century."

But the promise of racial peace proved difficult for the new mayor to deliver. Dinkins has faced a series of explosive racial incidents, the most serious of which were the Washington Heights disturbances of July 1992, the 1990 boycott of a Korean grocery store in Flatbush, and the Crown Heights riots of August 1991. In each of these cases, Dinkins has been credibly accused of allowing the rule of law to take a back seat to racial politics. And in each case, as we shall see, the diversity agenda seems to have encouraged the press to follow a preconceived script—one that turned out to be at odds with the facts and out of touch with the realities of a fractious, multiethnic New York.

William Hilliard, editor of the *Oregonian* and president of the American Society of Newspaper Editors, asks a rhetorical question that sums up the diversity agenda's rationale: "Can newspapers provide comprehensive, responsible, and fair coverage to America's multicultural society without adequate representation of people of color in staff and management?"

A look at the *Times* and *Newsday*'s coverage of Washington Heights, Flatbush, and Crown Heights raises other, difficult questions: Can the press's new mission of affirming distinctive minority viewpoints be reconciled with the goal of objective reporting and analysis? Can newspapers that are themselves riven by diversity—consumed with

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battles over hiring, promotion, and assignment policies and arguments over the biases of the "dominant culture"—report objectively on incidents of ethnic turmoil in the rest of society? Can the press fulfill its traditional "adversarial" role when it has officially embraced controversial assumptions about racial and ethnic relations that mirror those that are guiding government policy?

Washington Heights

On July 3, 1992, Michael O'Keefe, a plainclothes police officer, shot and killed 24-year-old Jose "Kiko" Garcia on West 162nd Street in Washington Heights. The way the *Times* and *Newsday* told the story, it seemed to be a vivid demonstration of the pervasive racism, corruption, and brutality of the New York police. A white cop, very likely involved in drug activity, had beaten Garcia, a bodega clerk with no criminal record, to the floor of an apartment lobby, then shot him point-blank.

The story helped provoke three nights of rioting that left one man dead, 53 police officers in the hospital, and a neighborhood gutted by fire. But, as a grand jury reported in September, the story was false in nearly every detail.

"Cop Shooting Victim: He Was Shot in the Back," screamed *Newsday*'s front-page headline on July 7, 1992. The previous day's paper had described the scene in the building where Garcia died: lobby walls still stained with blood, Garcia's sisters wailing and fainting in front of reporters, and angry young men screaming "assassin" at nearby police. The *Times*'s accounts quoted "people on the street" describing O'Keefe brutally beating Garcia with his police radio before shooting him; Garcia's mother told the *Times* her son "died like a chicken on the floor." Both papers quoted Garcia's friends and relatives as denying the police report that he had been armed when he was shot.

Both the *Times* and *Newsday* reported the account of Juana Madera, a resident of the building, who, along with her sister Anna Rodriguez, claimed to have witnessed Garcia's killing. "[O'Keefe] just kept kicking him and kicking him, and Garcia pleaded with him to stop," Madera told a *Newsday* reporter. "Then he pulled the gun and pointed down and I heard three shots." *Newsday*'s Jim Dwyer devoted an entire column to Madera's story.

But evidence quickly emerged that Garcia was not the innocent victim local residents made him out to be. On Tuesday, July 7, the *New York Post* reported that Garcia was an illegal immigrant who had pled guilty in 1989 after being caught with a packet of cocaine, then violated his probation, giving a phony address to authorities before dropping out of sight. In a *Times* op-ed piece published several weeks later, Deputy Mayor Fritz Alexander noted that Garcia's criminal record had been made public on July 5. Yet these facts made their way only slowly into the *Times* and *Newsday*'s coverage.

In contrast with the lack of emphasis on Garcia's criminal background, reporters leapt to impugn O'Keefe, mainly through rumor and hearsay. A July 8 *Times* report cited "rumors voiced by elected officials and residents alike that Officer O'Keefe may have been involved in illegal activity." The same day, Scott Ladd of *Newsday*, in a piece headlined "It's Not First Time Cop Is Criticized," reported on a 1990 drug case in which O'Keefe was admonished by a judge for pursuing a suspect without probable cause. State Supreme Court Justice Angela Mazzarelli found that O'Keefe had no "credible reason for pursuing . . . and forcibly seizing and arresting" the suspect. (This is not to say the suspect was innocent. In another part of the decision, not quoted by *Newsday*, Mazzarelli wrote: "The officer acted on a 'hunch' which was vague and unparticularlized. That his hunch turned out to be correct cannot . . . justify the search.")

On July 10, the *Times* carried a dispatch from San Francisco de Macoris, Garcia's hometown in the Dominican Republic, that further reinforced the image of Garcia as a martyr. The story highlighted the "simple funeral" attended by grieving relatives. Garcia's sister was described "pointing to [her] bedroom's naked cement walls" and asking: "If we

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were involved with drugs, do you think we would be living like this?"

The most egregious example of the press's martyrizing of Garcia and demonizing of O'Keefe was a front-page *New York Times* piece by David Gonzalez with Jane Fritsch, published on Sunday, July 12, more than a week after the killing. The piece did note Garcia's illegal status and his criminal record, but dismissed "speculation" about Garcia's continuing involvement with drug dealing.

The article quoted friends and relatives of Garcia who described him as "timid," a "grown-up kid" who "didn't have it in him" to deal drugs. The reporters themselves asserted that Garcia "apparently eked out a living peddling clothing on the street." The piece quoted an acquaintance of Garcia asking, "Why would he have endured that beating if he was armed?" It did not mention, however, that the medical examiner's office had declared there was no forensic evidence for the claim that O'Keefe had beaten Garcia with his radio.

On the other hand, the story quoted unsubstantiated allegations by a "former drug dealer," Andy Hernandez, who accused O'Keefe of shaking him down for $2,000 in cash and $3,000 worth of cocaine. The reporters also interviewed Iver Goldart, supervisor of the Legal Aid Society, which has represented numerous defendants arrested by O'Keefe. "He is a cop who was basically thinking he was in the Wild West, and he was making his own rules," Goldart said.

The attack on O'Keefe was part of a larger media script in which the riots were seen "in context" as a tortured cry for justice from a community enraged over a pattern of mistreatment by a police force that was corrupt, brutal, and culturally alienated. One *Times* article, for example, examined the link between community resentment and a lack of ethnic diversity in the Police Department, under the headline "Suburban Presence in Uniform."

Discussions of the "context," however, avoided certain uncomfortable facts. Washington Heights has a huge population of illegal aliens, about 100,000. Police estimate that half of all crimes in the 34th Precinct, most of them drug-related, are committed by illegals—abetted, no doubt, by the official laxity that allowed Garcia to receive probation rather than deportation. Drug gangs very likely encouraged the rioting, hoping to take advantage of the chaos that followed Garcia's death.

One notable exception to this reportage was a piece written by *Newsday*'s Raymond Sanchez which explored the world of the "Dominicanyorks"—young toughs recruited in poor Dominican villages and brought to the United States as cannon fodder in the drug wars. Another exception was a pair of pieces in the *Wall Street Journal* written by Jose de Cordoba. Describing "an ant army of dealers" from the Dominican Republic who have made cocaine dealing into "a cottage industry" in upper Manhattan, de Cordoba told of a Washington Heights dealer who had entered the United States illegally and later brought his six sisters into the country, also illegally. A would-be Domincanyork told de Cordoba: "If you are ignorant like me, you can go to New York, sell drugs, get two million pesos, come back home, and be somebody."

But it was the mayor's role in the drama that reporters approached most gingerly. Three days after the shooting, Dinkins paid a personal visit to Garcia's family in Washington Heights and invited them the next day to Gracie Mansion. "Justice we will have, but peace I beg you for," Dinkins told an audience at a Washington Heights school on July 7, hoping his assurance would restore public order on the eve of the Democratic National Convention. He also arranged to have the city pay for Garcia's burial in the Dominican Republic.

The mayor's critics contended that by taking Garcia's side despite his criminal record, Dinkins helped justify, and thus encourage, the rioting. Rudolph Giuliani, Dinkins's likely opponent in an election in which the Latino vote will be crucial, wrote in an August *Times* op-ed that the mayor had "rushed to Washington Heights . . . to pose with Mr. Garcia's relatives and perpetuate characterizations of Mr. Garcia as an innocent bodega worker victimized by the police." The response Deputy

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Mayor Alexander offered in his *Times* op-ed was revealing. He quoted Michael Tomasky of the *Village Voice*, who wrote that Dinkins "issued no such portrayal of a 'pitiable, angelic' young man; the press did that."

The *Times* and *Newsday* cast Dinkins's actions in an almost entirely approving light. A July 9 *Times* piece credited the mayor with an "aggressive strategy to restore peace through broad symbolic acts and small administrative gestures." A *Newsday* editorial in August defended the mayor's decision to pay for Garcia's funeral by arguing that Dinkins "knew that a kind gesture to the family could help end the strife that had plagued Washington Heights since the shooting."

In September, Manhattan District Attorney Robert Morgenthau released a report outlining the findings of the grand jury investigating Garcia's killing. All the evidence corroborated O'Keefe's story that he had shot Garcia in self-defense after Garcia pulled a gun. Physical evidence showed that Garcia had been standing when he was shot, had not been beaten, and had been shot only twice. The report further said that O'Keefe's hysterical radio call for help after the shooting was "hardly the behavior of a cop shooting an innocent man in cold blood."

Moreover, the grand jury found that Juana Madera and Anna Rodriguez, the two sisters whose eyewitness accounts had played such a crucial role in the early reporting of the case, could not possibly have seen the killing from where they claimed to have been standing. And, according to the grand jury, Garcia was a chronic cocaine user who worked for a drug ring that was headed by Jose Rodriguez, Anna Rodriguez's son, and that used Madera's apartment as a "safe house" for its operations. In March 1992, police had raided the apartment and seized a videotape showing Jose Rodriguez holding bags of cocaine and gloating, "It's legal here." Garcia also appeared on the tape.

Reporters know that eyewitnesses at crime scenes often hype their stories to get their names in print and their faces on TV—or, if they are family members, to lay the base for profitable lawsuits. And politicians often exploit police-community tensions in such cases to attract publicity and advance their political agendas. Yet in Washington Heights, reportorial skepticism had been abandoned. Bogus eyewitness accounts passed into the media, almost totally unfiltered and unchallenged.

After the grand jury report was made public, the *Times* published an editorial entitled "The Lesson of Washington Heights." The events, the *Times* concluded, teach "the importance of caution and restraint when the next such incident occurs." But the paper of record offered no explanation for why its own reporting had been so wide of the mark.

The Flatbush Boycott

It's not clear exactly what happened when a Haitian woman named Giselaine Felissaint went shopping at the Family Red Apple Market in Flatbush on January 18, 1990. The store's manager, Bong Ok Jang, said Felissaint began throwing vegetables after refusing to pay the full bill for her groceries; Felissaint offered several different accounts in which she was beaten by store employees, either without provocation or after being accused of stealing. (Assault charges against the manager were eventually dropped.)

Whatever the facts of that incident, it set off a racially charged boycott of Family Red Apple and a nearby produce store that had supposedly given refuge to Felissaint's alleged assailants. Protesters marched outside the stores, calling the Korean owners "yellow monkeys." They passed out leaflets calling on blacks to "boycott all Korean stores" and avoid shopping with "people who do not look like us." Among the boycott's leaders was Sonny Carson, a convicted kidnapper and extortionist who had been dismissed the year before from the Dinkins campaign for proclaiming himself "antiwhite."

It was a bit of a "man bites dog" story; in the usual understanding of racism in America, after all, blacks are the victims rather than the perpetrators. But for more than three months, the boycott got

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almost no attention. The *Post* editorially denounced the boycotters; *Newsday* published a few stories, buried deep in the news pages. The *Times* was silent.

Then, on April 26, the *Post*'s Eric Breindel denounced this media indifference in a column called "Flatbush Boycott: An Untold Story." Breindel detected a double standard at work: "If this was a long-term boycott of a *black*-owned store by a band of Ku Klux Klan, it would have long ago been a national story. Why should the rules change when the victims are Korean?"

On April 30, Mayor Dinkins set up a panel to study the boycott and black-Korean relations, headed by Laura Blackburne, then president of the Institute for Mediation and Conflict Resolution. On May 2, the Korean merchants obtained a temporary restraining order barring protests within fifty feet of their stores. But it was not until May 7 that the *Times* broke its silence. An article written by veteran reporter M. A. Farber appeared in the Metro section under the headline "Black-Korean Who-Pushed-Whom Festers." It went into great detail about the ambiguity of the original confrontation at the store. But, though the story quoted Sonny Carson as threatening, "In the future, there'll be funerals, not boycotts," it said virtually nothing about the racist conduct of the demonstrators.

A *Times* editorial the next day did acknowledge that "the boycott rides on a tide of ugly, unmistakably racist rhetoric." But news coverage continued to play down the reality of black racism. Instead, stories painted the boycott as a symptom of a wider black-Korean "culture clash." That way both sides could be assigned responsibility, though it was clearly the boycotters who were racially motivated.

As in Washington Heights, the press was less than rigorous in evaluating the actions of public officials. Although Dinkins initially said the court order barring protests within fifty feet of the stores should be enforced, he refused to order police to do so, accepting the questionable justification that since the judge's order came in a civil, not a criminal, action, the police could not make any arrests.

The *Times* and *Newsday* continued to publish supportive editorials. On May 10, *Newsday* asserted that "Dinkins deserves just a little more time" to resolve the conflict. When Dinkins declared in a May 11 speech that he would never allow anyone to use violence or the threat of violence, "no matter how legitimate their anger or frustration may be," a *Times* editorial declared that he was "talking like a leader." A week later, according to *Newsday*, Dinkins "urged the organizers of the boycott to simply 'declare victory and get out.'"

The press failed to ask the tough political question: Did Dinkins's soft line on the boycott reflect a fear of alienating militant blacks and eroding his electoral base? Reporters also went easy on the Human Rights Commission, the mayoral agency that led the city's disastrous efforts to negotiate a settlement. A May 27 *Newsday* article described "a new sense of optimism" at "a city agency that had been described by critics as a place where time stood still during the dozen years that Edward I. Koch had been mayor." Some commission employees expressed sympathy for the boycotters: "There is a lot of integrity on the part of the demonstrators," Charles Jenkins, director of one of the commission's Brooklyn offices, told the *Times* in July.

As the boycott dragged on into August, the Blackburne commission released its report, which praised the mayor's efforts, denied that the boycott was "race-based," and laid the blame for the boycott on Brooklyn District Attorney Charles Hynes for not responding more quickly to Felissaint's accusation. Newspaper editorials and columns derided the report. A *Times* editorial called it "a cowardly document"; *Newsday*'s Murray Kempton wrote of Blackburne's "orbitings in the outer spaces of nonsense." But reporters again ignored the underlying political questions, most notably Blackburne's behind-the-scenes campaign for the job of Housing Authority chairman. (Blackburne is best known to New Yorkers for her February 1992 ouster from that position after it was revealed that she had spent $3,000 in city funds on a pink leather sofa for her office.)

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With its credibility threatened, the Dinkins administration decided not to appeal a higher court's order to enforce the fifty-foot ban on demonstrations (though it, too, had come in a civil action). On September 21, eight months after the boycott began, Dinkins went shopping at the boycotted markets. "Whatever may have happened here in January to touch off this boycott," the mayor declared, "forcing these shopkeepers out of business amounts to cruel and unusual punishment." Though this acknowledgment was long overdue, the *Times* editorial page credited Dinkins with "leaving no doubt that when he wants to be the healer and conciliator that so many New Yorkers had hoped for, he knows how to play that role."

Crown Heights

The Crown Heights riots began with a tragic accident. On August 19, 1991, Yosef Lifsh ran a red light, swerved to avoid hitting another vehicle, and jumped the curb, hitting two children. Seven-year-old Gavin Cato was pronounced dead at the scene.

Gavin Cato was black; Yosef Lifsh was a Hasidic Jew. The accident set off a fury of anti-Semitic disturbances. As the *Times* reported on August 20, "More than 250 neighborhood residents, mostly black teenagers shouting 'Jews! Jews! Jews!' jeered the driver of the car . . . and then turned their anger on the police." That night, a Hasidic scholar from Australia, Yankel Rosenbaum, was stabbed in Crown Heights; he later died at Kings County Hospital. Meanwhile, rioting continued for four nights.

The news coverage left little doubt that the basic story of Crown Heights was one of black mobs attacking Jews in retaliation for Gavin Cato's death. Both the *Times* and *Newsday* noted that the vast majority of people arrested during the riots were black. The *Times* of August 23 described a group of black youths chanting "Heil Hitler!" in front of the Lubavitcher headquarters on Eastern Parkway.

Still, news analyses and columns searched for the "context" of the riots, in an apparent effort to make the events conform to what writer Phillip Gourevitch calls the "conventional understanding of race in America." In this view, Gourevitch writes in *Commentary*, riots are the result of "some terrible racist incident" that causes "a battered minority to explode with rage."

Thus, *Times* columnist Anna Quindlen, after visiting a grim housing project in Crown Heights, asked: "What must you feel if your whole life is a slur, if you read the handwriting on the wall of your existence and the graffiti seem to say, 'Who cares?'" *Newsday*'s Jimmy Breslin declared: "I am having a lot of trouble believing that all the fury . . . was between blacks and Jews." And a *Times* news analysis was headlined: "For Young Blacks, Alienation and a Growing Despair Turn into Rage."

The treatment columnists and editorialists gave Rosenbaum's killing stood in stark contrast with their response to the racially motivated murder of Yusef Hawkins, a black teenager, in Bensonhurst two years earlier. This double standard was best illustrated by the *Times* editorial page, which published an editorial entitled "Racism, Accomplice to Murder" six days after Hawkins was killed. It was not until 14 months after Rosenbaum's murder, when suspect Lemrick Nelson was acquitted, that the *Times* got around to expressing "shame and alarm over anti-Semitic violence that recalled the pogroms of czarist Russia and Eastern Europe."

In Crown Heights, as in Flatbush, reporters analyzed the events as a culture clash, a long-running feud between two groups equally at fault. A *Times* headline, for example, declared, "The Bitterness Flows in Two Directions." The story explained that "the Hasidim are often the focus of the anger because of the widespread belief that they receive special treatment from the police and other city institutions and get help that blacks sorely need in a time of dwindling resources." Two weeks after the riots, a *Newsday* article by Michael Powell and Jennifer Preston reported the results of their exten-

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sive investigation: little evidence existed to support the charges of preferential treatment.

The focus on allegations of favoritism obscured the raw anti-Semitism that fueled the riots. At the funeral of Gavin Cato, banners commemorating the accident victim shared space with others that said things like "Hitler did not do the job," while Al Sharpton caricatured Jews as "diamond dealers."

The *Times* and *Newsday* soft-pedaled the opportunism, demagoguery, and race-baiting of some of the black activists who responded to Cato's death, though the papers dutifully reported on such publicity stunts as Sharpton's September trip to Israel, where he tried to serve a summons on Lifsh. The *Times* reported Sharpton's "diamond dealers" slur, but it ignored his other incendiary remarks at the funeral, where he compared Gavin Cato to slain civil rights leaders and drew parallels between the Hasidim and supporters of apartheid. According to the Long Island edition of *Newsday*, Sharpton "seemed to scoff . . . at labeling Gavin's death an accident." This observation, however, was excised from the same story in the tabloid's New York City edition.

Another militant leader whom reporters treated with kid gloves was the Reverend Herbert Daughtry. According to an August 24 *Newsday* article, "Daughtry said he did not view it as his role to help calm the situation because he shares the pain and understands the frustration of the young people." The story was a flattering profile of Daughtry, headlined "A Voice in the Wilderness." Two days later, Daughtry accused Hasidic Jews of "abusing their power" and likened them to the Ku Klux Klan.

Hasidic leaders have charged that Mayor Dinkins and Police Commissioner Lee Brown ordered the police to hold back during the first three days of rioting. Whether or not there was such an order, police unquestionably did hold back. John Kifner of the *Times* reported on August 23 that officers at the 71st Precinct "complained about having to dodge rocks and bottles—or get hit by them—without being allowed to fight back." Kifner added: "Before yesterday's promise of a tougher police response, Commissioner Brown's public statements had mainly called on officers to understand community feelings, and officers in Crown Heights had generally held back. Some had even been heard asking when they could make arrests." In early 1993, three rabbis filed affidavits in a federal lawsuit against the city, claiming they attended a community meeting in Crown Heights on August 20, 1991, where top mayoral aides gave a sympathetic hearing to blacks expressing anti-Semitic sentiments. (The meeting was closed to the press.) According to Rabbi Jacob Goldstein, some of those in attendance declared that it was time to "get even with the Jews." "Mr. Lynch's response to these diatribes against Jews were such statements as 'I understand you, brother,' and 'I'm with you, brother.'"

The press failed to ask tough questions of the mayor and his police commissioner: Had Dinkins left police commanders confused about their role in racial conflicts when he failed to order enforcement of the restraining order in Flatbush the year before? Were police afraid to act lest they be accused of brutality in the wake of the Rodney King beating in March 1991? Was the slow response motivated by fears that a crackdown would have adverse political repercussions for Dinkins in the black community?

Whatever the answers to these questions, the mayor and his police commissioner were guilty of a grave miscalculation at the very least. As *Newsday* reported on August 23, "Street violence—handled by police with procedures used for demonstrations—had turned into a riot." Yet the press seemed to absolve Dinkins of any responsibility for the way the disturbances were handled. An editorial in the *Times* on August 23 reminded readers that he was "the mayor, not a magician." A September 1 news analysis by Felicia Lee in the Week in Review section concluded, "In the end, Mr. Dinkins appeared to come off well. Four days after the rioting, the streets were quiet and he was warmly received at the Cato funeral." And in a January 1992 editorial reviewing the first two years of Dinkins's mayoralty,

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the *Times* faulted him for his slow action in Flatbush, adding: "But he has learned. When Crown Heights erupted . . . Mr. Dinkins was at his peace-making best."

The Trouble with Diversity

Is there a connection between the diversity agenda and the kind of consistently flawed reporting that characterized the coverage of Washington Heights, Flatbush, and Crown Heights? Most city editors scoff at such a linkage. Don Forst of *Newsday* attributes any shortcomings of his paper's coverage to deadline pressures. Gerald Boyd, the *Times* Metro editor, insists that my close examination of the paper's coverage is "unhealthy and unhelpful."

But the consistency with which their papers have gotten the story wrong makes these answers difficult to accept. It seems clear, as a senior *Times* Metro reporter told *Esquire*, that the diversity agenda has created an atmosphere inside newsrooms in which editors are "terrified to offend any of the victimized [minority] groups." As a result, the press is less, not more, able to provide thorough, accurate coverage of the issues of the day.

While it may have originated with honorable aims, today's diversity agenda distorts the news by imposing a simple-minded, outdated view of race relations, one based on the assumption that blacks and Latinos are always victims and whites are always oppressors. This rigid preconception leaves reporters unprepared to deal with tensions involving other groups. This is why, in Flatbush and Crown Heights, reporters felt obliged to make stories of black-Korean or black-Jewish tensions fit the familiar black-white model.

Politically correct reporting makes it difficult to conduct a much-needed debate on a variety of social issues that disproportionately affect minority communities: illegal immigration, violent crime, the deterioration of the schools due in part to racial and ethnic politics, and the relationship between the welfare system, family dissolution, and poverty. It also obscures the troubling aspects of a fragmented society—one in which, as in Flatbush, the lack of common language, customs, and values can inflate a minor argument into an ethnic war.

Most alarmingly, inaccurate reporting can actually fan the flames of racial violence, as seems to have happened in Washington Heights. "The tales . . . go straight out onto the airways and into newspaper type," wrote Mike McAlary in the *Post*. "As night falls, newspaper headlines turn into gas canisters. By the time someone gets around to screaming 'calm down,' it is already too late."

Diversity-driven reporting has created a pattern of intellectual dishonesty and double standards that can only poison the well of public trust that true tolerance, as opposed to enforced diversity, requires to flourish. Civility and social justice can be maintained in a city as staggeringly diverse as New York only by upholding common standards of behavior and by maintaining the sovereignty of law over ethnic and racial partisanship. Journalists must provide the accurate, unbiased information citizens need in order to hold their government accountable. The city—and the country—are ill served by a press committed to an agenda, however well-intended, that causes it to lose sight of its purpose. ■

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Getting Around New York

E. S. Savas

New York can relieve its traffic problems by increasing its reliance on market forces. Officials should contract out some bus routes, establish a system of variable tolls and fares that reflect the costs of transit facilities, and deregulate private-sector services.

New York City's traffic problem is unique in the United States. Because it is situated mostly on a small, densely populated group of islands, the city has a transportation network characterized by choke points and congestion. The cost and difficulty of moving people and goods into, around, and out of the city is a serious constraint on the local economy. And the pollution emitted by vehicles trapped in traffic makes New York one of the nation's smoggiest cities.

The challenge facing city officials, therefore, is to reduce reliance on the private automobile, the principal cause of congestion. Drivers must be enticed into leaving their cars at home and using multipassenger modes of transportation, surface or subway. To accomplish this, the city will have to make public transit more convenient, safe, and economical. At the same time, officials should allocate the limited capacity of roadways, bridges, and tunnels more effectively.

Improving the transit system enough to make riders out of drivers will take money, and raising this money through higher taxes or fares is probably neither politically nor economically viable. It is possible, however, to use existing resources far more efficiently. More than $1 billion a year could be saved by public agencies and the riding public if transportation officials took advantage of powerful market forces. The city would profit immensely if it introduced more competition into the system, established pricing methods that better reflect the costs of transportation facilities, and opened the market more to private-sector firms.

Spurring Competition

Because the Transit Authority has a monopoly on subway and most bus service, it has very little incentive to operate efficiently. When the city took over the subway system in 1940 from the private companies that had operated it, a major goal was to preserve the nickel fare, which ended up lasting only eight more years. If the fare had gone up at the rate of inflation since 1948, it would be only 27 cents today. And the current fare of $1.25 covers only a fraction of the average cost of a subway or bus ride, which stands at about $3.50; the difference is

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ultimately made up by taxpayers. The average cost per passenger has been increasing more than twice as rapidly as the inflation rate since 1980; had it just matched inflation, the city would have saved more than $1.5 billion in 1990 alone.

Yet there is no inherent reason an urban transit system must be subsidized by the government. Buenos Aires, a modern metropolis of 12 million people, has an entirely private bus system consisting of some two hundred different companies. They receive no subsidies, pay full taxes like any other business, charge reasonable fares, have a huge ridership, and provide excellent service.

A subsidized public monopoly is almost a guarantee of inefficiency. Yet surface transit in cities is a service that readily lends itself to competition. Many cities in the United States and elsewhere are introducing competition in previously monopolistic public transportation systems. Under this approach, a public agency designs bus routes, prescribes schedules, sets fares, and conducts a competition to select the organization—it may be the public bus agency or a private firm—that will provide the service under a contract. The contract generally lasts for several years, specifies penalties in case of poor performance, and allows the government to abrogate the contract for cause. In most cases, very large savings, averaging more than 30 percent, have been realized, while the quality and level of service are at least as good as before. The experiences of these cities could provide valuable lessons for New York's transportation officials:

• *San Diego.* Ironically for New York, San Diego's decision to begin contracting with private bus companies was prompted by a 1979 labor agreement in which the public bus agency, the San Diego Transit Corporation, gave its drivers wages that turned out to be even higher than those in New York. San Diego officials were stunned by this revelation, given New York's unenviable national reputation for profligacy in spending on city employees. As a result, San Diego embarked on a gradual program of competitive contracting. Today, almost 30 percent of the work is performed by contractors, with striking results. The average cost per mile for contract service is $2.22, or 45 percent less than the San Diego Transit Corporation's cost of $4.03. Competitive pressures helped arrest the growth in the public agency's costs as well. And all of this was accomplished without layoffs, because the rate of contracting was kept well within the rate of normal employee attrition. "If New York public transit bus costs had replicated San Diego's performance, nearly $2 billion would have been saved over the last decade," says bus expert Wendell Cox.

• *Los Angeles.* Los Angeles has the largest competitive contracting program in the nation, using more than three hundred private buses. Audits by Price Waterhouse show average savings of 51 percent on the private lines. Moreover, vehicle breakdowns have been greatly reduced and accident rates decreased by a third. Some routes that had been slated to be cut because their costs were too high were saved by contracting them out. Later, when fares were raised on publicly operated routes, the private companies were able to preserve their lower fares.

• *Denver.* In 1988 Colorado became the first state to mandate competitive contracting, requiring the Denver Rapid Transit District (RTD) to contract out 20 percent of its bus service over two years, without layoffs. Workers were to be paid even though they were not working, a situation that could have been avoided if the rate of contracting had been linked to the rate of attrition, as in San Diego. Still, external audits show large savings: 27.5 percent the first year and 31 percent the second, after accounting for the cost of idle labor and underused facilities.

• *Houston.* In 1983 the city's bus agency, Houston Metro, contracted for a park-and-ride service through competitive bidding. Costs were 34 percent less than for Metro's in-house service, $4.66 per mile as opposed to $7.07. When the contract was renewed in 1985, savings went up to 38 percent. In 1990 service began on a regular bus route; the contractor's price of $52.31 per hour of service was 28 percent lower than the in-house cost of $72.31.

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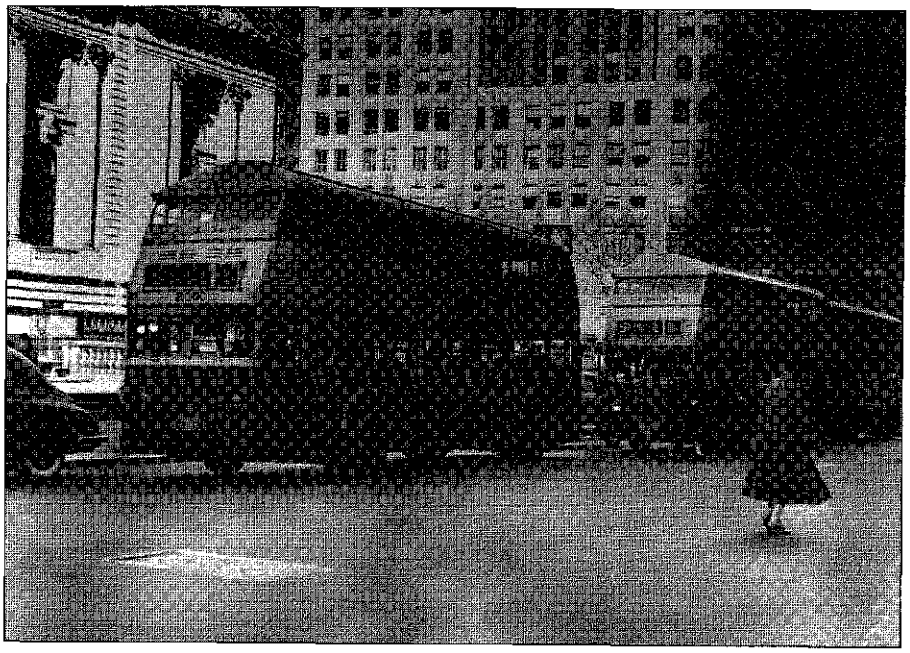
• *London.* About one-third of London's bus routes, almost sixty million miles, are contracted competitively. This is the equivalent of about half of all New York's bus service. London has been so effective at creating a competitive environment that the 12 public bus agencies have been forced to improve their efficiency to the point where they have won 60 percent of the two hundred competitively contracted routes.

New York should institute a program of competitive contracting for bus operations. For example, high-cost, low-ridership, and late-night routes could be contracted out to authorized van services. Some rush-hour service could also be contracted out. It is a common misconception that mass transit makes a lot of money during rush hour, when every bus and subway car is packed with passengers. In fact, rush hour is a big money-loser, because in order to handle the peak load, a transit agency must buy and maintain more buses, employ more full-time drivers, and build more garages to store the buses when they are not in service. The TA would reduce its expenses if it supplemented its own efforts by contracting competitively for rush-hour service with companies that have lower costs.

When contracts are put up for bid, outside firms and the TA's own workforce should compete fairly and equally. Both the TA and private firms would have to respond at the same time to the same requests for bids, and be subject to the same service specifications, conditions, and penalties. The price of the TA bid would have to be calculated by an impartial outside authority, to reflect the full cost of TA bus service. As in London, the TA would eventually be forced to adopt the same productive practices as the private firms, and its costs would decline.

Contract specifications for each route would set forth the schedule; number of seats or runs per hour; vehicle markings; performance standards for such things as on-time departures, cancellations, cleanliness, vehicle conditions, and safety records; and penalties for poor performance. Monitoring contractor performance is a necessary aspect of competitive contracting. It is usually understood to be an additional cost imposed by contracting, though similar monitoring should be, but rarely is, performed on service provided by government agencies.

A word is in order about the seven subsidized private bus lines that currently operate in the city. These lines, all in local service, have exclusive franchises and "earn" city-guaranteed profits of between 3 percent and 6.38 percent of their revenues; the cost of these subsidies ($94 million in fiscal 1992) represents one of the most rapidly escalating items in the city budget. In no way do these firms demonstrate the virtues of private enterprise and competition. Rather, they are a historical anomaly, operat-



New York Transit Museum Archives, Brooklyn

Private buses on Fifth Avenue, Manhattan, 1938

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New York City Rail System, 1937

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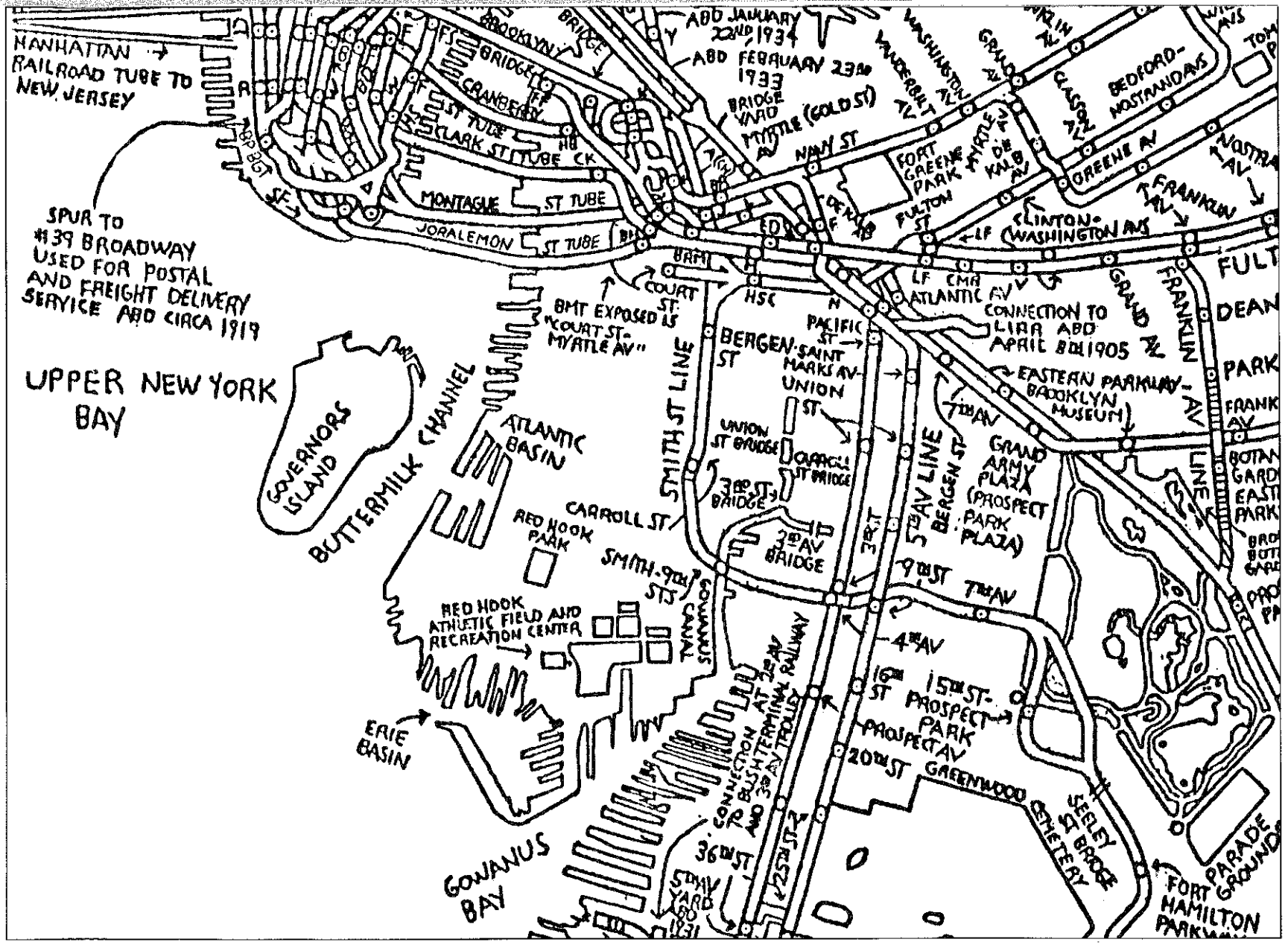

A segment of a map, drawn by motorman Paul Fritz, showing what the system looked like at its peak.

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ing under in-perpetuity franchises that should be phased out and replaced by contracts of finite duration awarded through a competitive process open to all qualified bidders.

In addition, the same type of contracting procedure should be applied to other TA operations whenever feasible. Support services such as vehicle maintenance and cleaning and subway station cleaning lend themselves to this approach. When the TA overhauled its subway cars, it used both its in-house workforce and a private contractor; the latter proved to be better and cheaper.

Contracting has not been successful everywhere it has been tried. The experiences of two cities, Miami and New Orleans, are instructive for New York. In both cases, the costs of competitive service were lower, but service was worse by some measures. Private contractors in each city accused the public agencies of reneging on their promise to supply buses in good condition. In the end, because of union opposition, both cities abandoned competitive contracting.

It is crucial that New York's leaders muster the political will to make a real commitment to competition. The mayor and City Council should take the initiative, and the State Legislature should mandate competitive contracting for the TA just as the Colorado Legislature did for Denver's RTD. Strong opposition can be expected from the public employee unions affected. As in San Diego, it can be overcome through a no-layoff policy, by tying the rate of contracting to the normal rate of attrition (about 7 percent annually). Severance benefits and early retirement plans could be used to accelerate voluntary attrition. Finally, current employees could be encouraged to form their own private firms and take over some of the routes.

With a gradual competitive contracting effort, the TA would eventually achieve annual savings of about $600 million, an estimate based on results achieved elsewhere. This money could be used to improve the quality of the TA's own service, making it more attractive to riders and thereby reducing the use of private autos.

Fares and Tolls

At present, the limited capacity of bridges, tunnels, and roads in the New York area is allocated almost entirely through the simplistic and inefficient principle of first come, first served. The region's officials should adopt a rational policy of tolls and differential pricing, using time-tested market mechanisms to modify commuter behavior in desirable ways.

Where feasible, free bridges, tunnels, and roads should be converted to toll facilities, with lower tolls for high-occupancy vehicles and during off-peak hours. That is, someone driving alone during rush hour would pay the highest toll; a driver carrying passengers during off-peak hours, including weekends, the lowest. Lower tolls for high-occupancy vehicles would encourage car-pooling; peak-period pricing would induce some motorists to change their travel habits and either switch to mass transit or drive during off-peak hours. A plan to impose tolls would no doubt arouse opposition, particularly from outer borough New Yorkers accustomed to entering Manhattan for free. But the results would be beneficial to all: less congestion, less pollution, and less fuel consumed in idling.

The same pricing concept could be applied to congested bus and rapid transit routes. Fares should be set at higher levels during peak hours, as they are in many cities, including Washington, D.C. This would ease peak-hour crowding and reduce the number of TA trains, buses, and transit employees needed during rush hours.

Off-peak fares could be sharply discounted for the elderly and handicapped. And low-income workers would not have to suffer from higher peak-hour fares. Employers in low-wage industries could, in effect, give their workers small raises at no cost by changing their working hours to allow off-peak travel at the reduced fare. Alternatively, companies could give eligible employees tax-free vouchers, similar to those now available through the TransitChek program, to offset the higher fares.

The TA should also change its fare structure to charge by distance traveled, abandoning the customary uniform fare. There are two good reasons

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Private van on Flatbush Avenue, Brooklyn, 1993

for such a change. First, requiring every passenger to pay the same "average" fare may deter potential riders from using mass transit, instead of their cars, for short rides. Second, it costs more to transport people longer distances, and it is only fair that they pay for this benefit. (Under the current system, an executive who rides the Long Island Rail Road from Little Neck to midtown Manhattan gets a larger public subsidy than a worker who commutes from Harlem to the garment district.)

Differential pricing based on time and distance is now possible for both mass-transit riders and drivers, thanks to new technologies: magnetic fare cards, already being planned by the TA for automated fare collection, and automatic vehicle identification systems, which allow nonstop toll collection from automobiles. Distinguishing between high- and low-occupancy vehicles would still require human intervention, however.

Relieving the Regulatory Burden

The role of private companies in a new transit strategy should not be limited to contracting for TA bus routes. Many private companies are already operating innovative transportation services—some legally, some not. The city government generally spurns the private sector and relies too heavily on the Transit Authority. Its challenge is to produce a better transportation system by marrying the strengths of both the public and private sectors.

Historically, the private sector has introduced every significant innovation in transportation. In the 1820s, New York State had more than two hundred private road companies and more than four thousand miles of private toll roads. Private firms in New York City introduced America's first fixed-route urban transportation service (the omnibus, 1827), the first urban rail system (the horsecar, 1832), the first rapid transit line (the el, 1868), electric streetcars in the 1890s, the IRT subway in 1904, then electric trolley buses, buses powered by internal combustion engines, and, in 1968, express bus service.

Innovation continues today. Entrepreneurs have reintroduced ferry services, reinvented jitneys (in the form of commuter and feeder vans), and created no fewer than three separate, supplementary taxi systems (livery services, black cars, and gypsy cabs) to overcome the city's absurd, outdated limit on the number of licenses for yellow cabs. There is no question that the public likes these new private transportation services. Livery services and gypsy cabs are an important resource in the city's poorer neighborhoods; black cars are popular in the corporate world.

Vans serving middle- and working-class commuters are providing stiff competition for the city's buses. In Jamaica, Queens, for example, vans generally kept their fares at $1.00 while the TA stepped up its fare to the current $1.25. As a result, patrons switched to the vans rather than ride the TA bus lines serving the Jamaica Center subway station. The TA estimates that it lost 16 percent of its riders on those routes, versus only 3.3 percent citywide, dur-

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ing the year ending in September 1992. In October, responding to this decline, the TA reduced the fare to 75 cents on the Jamaica lines—the first fare reduction in living memory. The TA had been goaded into competing with the popular vans, to the benefit of the public. But after several months, even the lower fare had failed to lure many van passengers back. The lesson for the TA is that the overall quality of service is what counts: the public is willing to pay more for better service. Top TA officials are beginning to learn this lesson, demonstrating a welcome concern for customer service.

Many illegal vans do not meet safety standards, and even legal vans often operate only on high-volume routes during peak periods; these factors contribute to their low prices. One might also question the diligence with which entrepreneurs in this cash-only business pay their taxes.

Still, the city's efforts to drive the vans out of business are clearly not working. The van industry is large, popular, growing, and here to stay. It should be recognized as a useful, cost-effective component of the city's transportation network, regulated appropriately, and assigned a legitimate role: providing service "in areas (1) where mass transit cannot now accommodate demands . . . and (2) that are not now served by mass transit," as Robert Wagner Jr.'s Commission on the Year 2000 suggested. The industry could also serve as one source of bidders for contracts to operate TA bus routes.

There is ample room for debate over what specific circumstances would justify allowing private services. The TA, for example, complains of poaching by the vans in Jamaica. But market advocates could argue persuasively that the Jamaica example clearly represents a situation where "mass transit cannot now accommodate demands," as evidenced by the fact that a significant portion of the riding public eschews the buses and prefers the vans for their speed, comfort, and convenience—a demand obviously not accommodated by the TA bus service.

In any case, entrepreneurs are far better than bureaucratic agencies at discovering hitherto unrecognized transit needs and moving quickly and aggressively to satisfy them. A virtually infinite number of possible express and local transit routes could be handled by vehicles ranging from sedans to vans, minibuses, regular buses, and intercity cruisers. City policy should encourage entrepreneurs to serve new routes, particularly those feeding into subway and rail stations, by arranging for loading and unloading areas at these stations, and by contracting with private operators to give their passengers subsidized transfers to the subway or railroad.

The city should establish regulatory guidelines to encourage and facilitate the orderly emergence of private services. A permit process would give would-be operators great freedom to start new services, while ensuring that they follow safety regulations.

Under this system, an entrepreneur would apply to the regulatory body for a nonexclusive franchise to operate on any route he designs, providing it does not significantly overlap any existing transit routes. (The TA has satisfactory definitions of these circumstances.) The application would specify the route and the fare the operator will charge.

The franchise would be awarded promptly and automatically upon demonstration that the driver has a valid license, the vehicle is inspected and insured, and the fare is posted conspicuously. The vehicle could be of any size, shape, and design, but would have to bear suitable markings. The franchise would be of finite duration, renewable through a fast and simple process.

The operator could charge any fare he wished, provided it is uniform and prominently displayed. He could change the fare at any time with advance notification (say, thirty days) to the regulatory agency and passengers.

The operator would be free to service his route as frequently or infrequently as he wishes, and could choose whether or not to post a schedule. Some might argue that strict service standards concerning schedules and operating hours should be a prerequisite for a permit. But this would inevitably require an exclusive franchise, which in turn would require public regulation of fares, leading to a cumbersome and political process for approving fare increases. If

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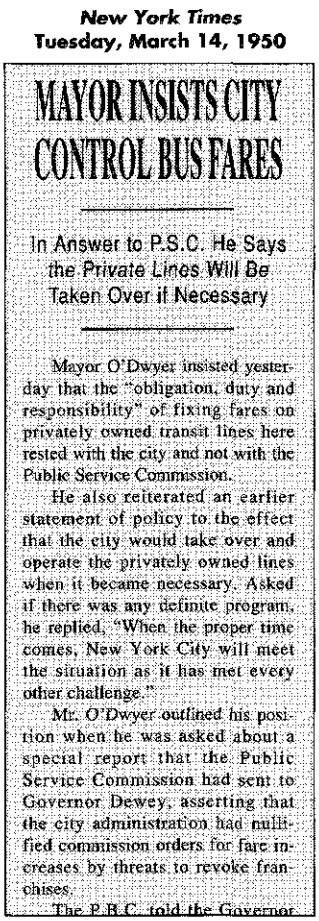
this path were followed, the likely result would be similar to today's unsatisfactory situation, in which perpetual franchises are heavily subsidized and the number of franchised operators is arbitrarily limited. I argue that market forces would produce a satisfactory outcome, rewarding reliable and regular service. Companies offering good service would prosper as they gain brand-name recognition. Through trial and error, entrepreneurs would determine the optimal level of service, something neither they nor any regulator could know beforehand.

Economic deregulation would be coupled with strong safety regulation, as it is in air travel. The regulatory agency would monitor the streets and enforce both strict prohibitions against unfranchised operators and full compliance with safety and insurance standards for licensed operators. Vehicles operated in flagrant violation of these standards would be impounded.

Under the regulatory scheme outlined here, there may be occasional efforts to establish local cartels and limit competition. Unscrupulous operators might use violence to keep out new entrants and establish a local monopoly. Such concerns should not be used as an excuse to thwart these reforms, but the police should be prepared to deal with criminal behavior if it arises.

These same market principles could be used to improve the city's conventional taxi system, the yellow cabs. It remains a bizarre anomaly and a symbol of city government failure that the number of medallion cabs in New York has remained fixed at 11,787 for more than fifty years. A policy of either freeing entry into the licensed taxi business or lifting the numerical ceiling on the total fleet size is decades overdue. Washington, D.C., could provide a model.



New York Times
Tuesday, March 14, 1950

MAYOR INSISTS CITY CONTROL BUS FARES

In Answer to P.S.C. He Says the Private Lines Will Be Taken Over if Necessary

Mayor O'Dwyer insisted yesterday that the "obligation, duty and responsibility" of fixing fares on privately owned transit lines here rested with the city and not with the Public Service Commission.

He also reiterated an earlier statement of policy to the effect that the city would take over and operate the privately owned lines when it became necessary. Asked if there was any definite program, he replied, "When the proper time comes, New York City will meet the situation as it has met every other challenge."

Mr. O'Dwyer outlined his position when he was asked about a special report that the Public Service Commission had sent to Governor Dewey, asserting that the city administration had nullified commission orders for fare increases by threats to revoke franchises.

The P.S.C. told the Governor

The city's last major private bus line was taken over by the government in 1962.

It has an excellent system, characterized by plentiful cabs, in good condition, driven by knowledgeable and courteous drivers who charge low fares. In New York, the livery and black car services and gypsy cabs are already competing extra-legally with yellow cabs; with proper safety regulation and enforcement, they could become legitimate providers of for-hire service. More competition would lead to lower prices—taxi riders might save $500 million a year, based on my extrapolations from estimates in a 1988 study by Elizabeth Roistacher of Queens College.

Keep New York Moving

The measures I have suggested would create a better transportation system in the city—one more convenient, responsive, comfortable, fast, safe, reliable, and economical; one that would encourage commuters to rely less on cars and more on multi-passenger vehicles and mass transit. My proposals would accomplish this by combining the advantages of both the private and public sectors.

Gradual implementation of such policies over the next decade would ultimately result in savings of about $600 million annually in the TA budget. It would also bring about lower fares for taxis and perhaps other forms of transportation as well. Some or all of the savings could be reinvested in improving subway service, stations, and safety. The city would enjoy cleaner air, less congested streets, and a transportation system more conducive to economic growth. Both literally and figuratively, these reforms would help keep New York a city on the move. ■

This article was based in part on studies conducted in collaboration with Sigurd Grava, Roy Sparrow, and Anthony Cantarella.

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America Works

A Venture to End Dependency

Jan Rosenberg
and Sol Stern

New York City has had little success in moving welfare recipients to work. But a private company called America Works is placing hundreds of them in good, private-sector jobs. Its secret: stressing basic work habits and contacts with potential employers.

In February 1993, the *New York Times* carried a front-page story recounting the many frustrations suffered by a middle-aged woman trying to get off the welfare rolls and back into the labor market. The article appeared just two weeks after the inauguration of a new president who had pledged to "end the welfare system as we know it" by requiring stringent back-to-work programs for able-bodied recipients. But what really raised eyebrows was that the "welfare client" profiled in the article was actually Barbara Sabol, commissioner of the city's Human Resources Administration (HRA).

The normally press-shy Sabol gave the *Times* an exclusive account of how she had posed as a poor person and applied for welfare in order to learn how her agency treats its clients—not very well, she discovered. She described long waits in filthy, cockroach-infested offices. She said she had been "depersonalized" by the system, and was particularly critical of caseworkers in the city's BEGIN (Begin Employment Gain Independence Now) program, which was created to get recipients into the labor market. They seemed indifferent to her expressed desire to move from an unsatisfying mandatory work assignment with the city to a full-time job. "I mean, nobody saw my spark," Sabol said. She concluded that HRA should become more focused on helping welfare clients search for jobs as soon as they enter the system.

Did Sabol's experiment signal the beginning of a serious, long-overdue effort to apply David Osborne's concept of "entrepreneurial government"—making government social services more accountable and competitive—to the huge HRA bureaucracy? It appears not. Sabol has once again become largely "unavailable" to the press. From all indications, not much has been done to improve HRA's dismal record of helping welfare recipients break the cycle of dependency.

Indeed, a recent study by the Public Policy Institute concluded that the percentage of New York State's welfare recipients (of whom HRA's clients are the overwhelming majority) who move into paying jobs has actually dropped over the past several years. This happened despite new federal mandates imposed by the 1988 Family Support Act, which aimed to get welfare clients back to work. "Most states

Research for this article was supported by the J.M. Kaplan Fund.

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leapt at the opportunity" to put the Family Support Act's requirements into effect, wrote the legislation's principal author, Senator Daniel Patrick Moynihan, in the report's introduction. "Not New York." The study faulted New York's "questionable decision to emphasize schooling to the exclusion of job experience."

In New York City, it was none other than Barbara Sabol who shifted the BEGIN program's emphasis away from securing immediate employment for welfare recipients. Instead, clients assigned to BEGIN are allowed to choose among various training and education options. "In some ultimate sense HRA still believes in the employment goal," says Lawrence Mead, a welfare researcher at New York University. "But so much priority is now given to reducing 'barriers' around recipients that few face any real pressure to go to work. BEGIN is inducting 2,500 new clients a month, but so many drop out and so few look for jobs that no impact on the caseload is discernible. HRA simply has not confronted the ethos of entitlement that surrounds welfare in New York."

Road to Success

Yet even in New York City, there are model programs that successfully match long-term welfare clients with private-sector jobs. During her underground stint as a welfare client, Sabol might have asked her caseworker to refer her to a privately owned employment service called America Works. Or she might have called the company herself, as some welfare recipients do. Had she made that connection, Sabol's "spark" would certainly have been noticed. In fact, it is likely that she would have been quickly placed in an entry-level clerical job in a publishing firm, law office, or insurance company.

For the past five years, America Works has placed thousands of welfare clients, with an average of between five and six years on the rolls, in private-sector jobs with an average starting salary of $15,000 plus benefits. Employers have been overwhelmingly satisfied; America Works has a long list of companies that keep coming back, asking for more referrals from the welfare rolls. America Works has staked its survival as a profitable business on the proposition that welfare clients, properly motivated and helped with a limited amount of technical assistance, can be successful at getting and holding jobs.

Consider the case of 35-year-old Lenore Green. Other than two short-term jobs, she had been on public assistance all her adult life. Like Sabol, Green had a disappointing experience with HRA's BEGIN program. "They basically give you the yellow pages and tell you to start calling to find a job," she says. "They also do something they call 'networking,' where someone comes in and says that some company is hiring. And they tell you to read the *New York Times.* Well, I was doing that anyway."

When Green heard about America Works, she asked her caseworker to refer her to the firm, even though its offices are in lower Manhattan and she lives in the Bronx. When she made the trip, she found a businesslike facility, in contrast with the

Maria Piazzano/City Journal

A job-readiness class at America Works.

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grim welfare offices she was used to visiting. A polite receptionist directed clients and visitors to the business lab, the pre-employment classroom, a small meeting room, and staff offices. America Works was humming with activity, and no one was waiting in line.

Green signed up, and after a week of pre-employment screening and "job readiness" training, she landed a two-week data-entry job. Immediately thereafter, she was sent on two interviews, each of which led to a job offer. She currently works in the claims department of the Amalgamated Life Insurance Company.

America Works makes its money by contracting with state welfare agencies to place clients in jobs

America Works functions as a kind of "old girls' network." (Most of its clients are women.) Staff members build relationships with employers and provide the connections to the job market that women on welfare usually lack. "After screening to make sure there's a fit with what the employer is looking for, they go out and represent you to the employer," Green says. "They help you get that interview."

America Works makes its money by contracting with state welfare agencies to place clients in jobs. The contract is performance-based: the company is paid (about $4,000 per client in Connecticut and $5,300 in New York) only after the client has completed a four-month probationary period with an employer. The state comes out ahead as well. For its fee of $5,300, America Works estimates that it saves taxpayers $22,000 a year, the cost of keeping a mother and two children on the welfare rolls in New York.

America Works is the brainchild of a husband-and-wife team, Peter Cove and Lee Bowes. Cove is a community activist, a veteran of the 1960s War on Poverty and various non-profit employment training projects; Bowes is a sociologist. They launched America Works in the mid-1980s with $1 million in start-up capital and the belief, based on their own experiences in the job-training field, that the primary obstacles preventing welfare clients from finding and retaining jobs are a lack of connections and gaps in interpersonal skills. Extended education and training programs are unnecessary, time-consuming diversions, Cove and Bowes argue. Further, they contend, clients with shaky self-confidence are best served by an early success in getting a job, not by long periods of preparation.

America Works' week-long training sessions are narrowly focused on the skills needed to land an entry-level job. A counselor works with clients on such basics as maintaining a businesslike personal appearance, speaking properly, preparing a résumé, showing up on time, and arranging child care. Attendance is strictly enforced: if a client is late to class, even by five minutes, she is dropped from the program, though she may enroll again at a later date. After completing the class, clients spend half their day in the company's business lab, working on typing, word processing, and other office skills while they wait for job interviews. During the remainder of their day, they can seek employment on their own.

Paula Phillips, an energetic former schoolteacher who leads the training sessions, stresses that clients' success depends on their own motivation and effort. "How many of you were referred by BEGIN?" she asks a larger-than-average class of 46 crowded into the classroom one spring morning. Eight or nine women raise their hands. "Did they say that America Works will definitely find you a job?" Only a couple say yes, but she uses the occasion to nail home her point: "There are no guarantees. . . . If you want something to happen, you've got to make it happen." "But," she continues, "if we don't find people a job, we can't stay in business. We want to find jobs for as many people as possible."

The company's entrepreneurial ethos is catching. We spoke with numerous women and men in

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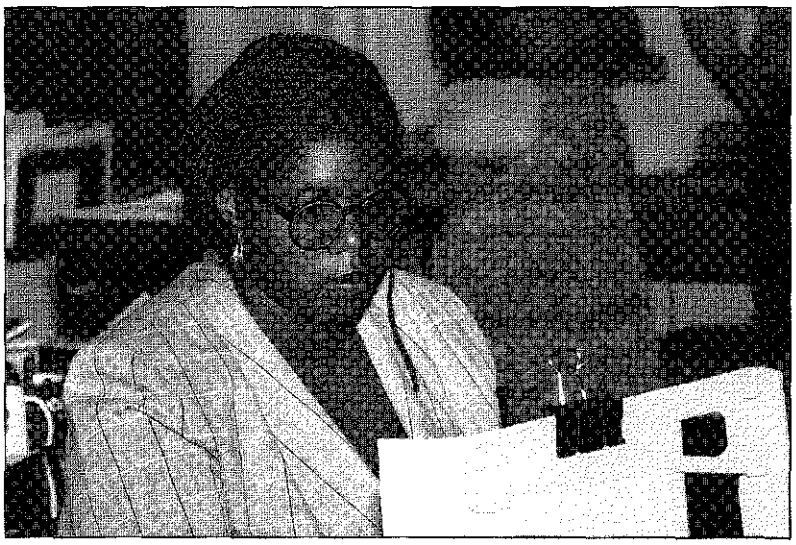
America Works classes who defied the stereotypes of long-term welfare clients steeped in a permanent culture of dependency. After waiting several months to be admitted to the program, they understood that they had to compete for jobs, were working very hard at improving their skills in the business lab, and were confident that they would succeed.

Employers are impressed with the workers' enthusiasm. "Their candidates really want to work," says the personnel director of a catalog company who, since 1989, has relied exclusively on America Works for filling entry-level positions. "They have people who have been out of work and so they're willing to stay with a job for quite some time," says the manager of a law office. "They're willing to stay longer than other people who haven't been on public assistance. We're willing to take a chance on them; we get a dedicated and loyal employee. It's a win-win situation."



Mitra Pasiar/Johns Hopkins Journal

A trainee in the America Works business lab.

During the four-month probationary period, the employer pays an agreed-upon wage to America Works, which pays the employee minimum wage. (Employees' welfare grants are gradually reduced during their transition to permanent work.) The trial period allows the employer to evaluate the new employee's work habits and adaptability to the company culture. At the same time, America Works offers the employee services to ease the transition from dependency to the job market. America Works job counselors visit the worker on the job every week and meet with the employee's supervisor every other week to "troubleshoot." If there are problems with punctuality or attendance, or if the client needs help with child care or housing, the counselor will intervene. "Most problems new employees have show up quickly, in the first few months on the job. That's why the 'reps' are so useful," says one employer, singling out the baby-sitting problems that trip up even the most eager working mothers.

After the probationary period, the employee is paid a standard wage. The support America Works provides during the transition period is clearly effective; an estimated 85 to 90 percent of its clients are still in their jobs at the end of the first year.

Going Against the Grain

Despite America Works' success, New York's social-service bureaucracy remains indifferent to its promise. The company is under contract with New York State to find jobs for 250 workers a year, but many more welfare clients are trying to get into America Works than it can accommodate under its contract. And the firm does not have a single contract with New York City. Indeed, it has been rejected four consecutive times for welfare-to-work contracts let by city agencies. Critics and city officials offer several explanations for the city's reluctance to embrace the firm's approach.

One charge is that America Works "creams," selecting the most job-ready clients, who would land jobs on their own anyway. A New York State welfare official disagrees. "That may have been true early on, when they were getting their clients from newspaper ads, but now more than half of their clients come after failing to find jobs through HRA's programs." And, indeed, why would people

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who could find work on their own sit through a week of job-readiness classes and then spend four months working at minimum wage? It seems more likely that America Works is successful with those public assistance recipients who are willing to work but lack the interpersonal skills, self-confidence, and connections necessary to find work.

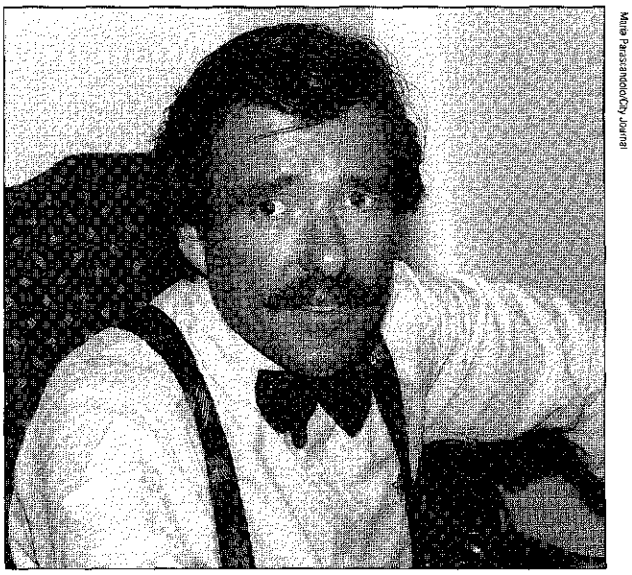
Another concern is cost. Cathy Zall, deputy commissioner of HRA, argues that America Works is much more expensive than other welfare-to-work programs and that the $22,000 savings trumpeted by the company is exaggerated, because it assumes that none of the people placed in jobs by America Works would have found work on their own. Computing the exact savings from various welfare reform programs is complicated, but the Public Policy Institute report notes that America Works' placement fee "compares favorably with the $8,259 per placement cost of the JOBS program," a federal initiative offering education and placement services.

Our interviews with welfare officials and independent analysts suggest that much of the criticism of America Works is driven by an underlying suspicion of a for-profit company operating on the belief that welfare clients can and should compete in the market economy. This approach directly challenges the institutional biases of much of the nonprofit world and the government bureaucracy.

How could a company that places so many people in good jobs be judged as lacking "demonstrated effectiveness"?

Some officials concede that such a bias exists. "It's very difficult for us in the social work professions to accept individuals who make a profit," says Audrey Rowe, Connecticut's commissioner of income maintenance, who became a champion of America Works after evaluating its performance under a state contract. "It's difficult to work through staff biases."

Michael Dowling, New York State's commissioner of social services, adds that while America Works has done "exceptional work," the state has come in for "criticism from the traditional employment and training agencies, from the nonprofit sector. They wanted to know why we were contracting with a for-profit agency."



Mitra Parsa/Metro/City Journal

America Works cofounder Peter Cove says government must "bring in creative entrepreneurs" to help people off welfare.

Compounding the problem is the bureaucratic procedure by which contract proposals are judged, a process that elevates form over substance. In the competition for a recent welfare-to-work contract with the city's Department of Employment (which America Works lost), the final decision was made largely on the basis of the written "statement of purpose" in the contract proposal. The organization's success rate in actually placing and keeping recipients in jobs was a secondary consideration. In a proposal for another Department of Employment contract, America Works earned just one-quarter of the possible points for "demonstrated effectiveness." How, we asked our guide through the bureaucracy, could a company that was placing so many people in good, private-sector jobs be judged as lacking "demonstrated effectiveness"? The answer: "They just didn't write a very good proposal."

America Works recently found itself a new champion, Manhattan Borough President Ruth

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Messinger. Having seen the company's good work for herself, Messinger tried to cut through the bureaucratic thicket by intervening directly with First Deputy Mayor Norman Steisel. Her letter to Steisel recommended that the city take a second look at how America Works could benefit New York's welfare reform effort.

Steisel's reply was, typically, more bureaucratese. He expressed regret that America Works had lost four straight competitions and explained that there just isn't enough money to fund all the worthy proposals. He encouraged America Works to keep trying. Finally, the deputy mayor assured Messinger that the Department of Employment was "looking forward to receiving additional proposals from America Works in response to future RFP's [requests for proposals]."

Beyond Left and Right

Tomes have been written about the difficulties of getting long-term welfare recipients into the job market. Liberal and conservative critics alike insist on the almost insurmountable odds against ending welfare dependency. Conservatives tend to argue that long-term welfare clients won't work, because they have not developed the values and discipline—the "culture," if you will—that push people into the labor market. Liberals counter by arguing that the jobless poor can't work, pointing to a range of "structural barriers" that prevent minority and unskilled inner-city residents from succeeding in the private job market.

For many conservatives, the solution is something like economic shock therapy—reducing benefits or even taking people off welfare altogether. For their liberal counterparts, welfare reform must await major governmental intervention in the economy to create "decent" jobs.

America Works confounds the shared pessimism of both liberals and conservatives about the possibility of getting welfare recipients into jobs quickly. It points beyond the familiar "won't work" versus "can't work" argument, toward pragmatic, intermediate solutions.

America Works confounds the shared pessimism of both liberals and conservatives

Peter Cove argues that success in welfare reform "must be measured by the obtaining of jobs, retention, and the resultant welfare cost reductions." Government should not pay for classroom programs, he says, but for "the job *acquisition* and *retention* that result. . . . This will immediately guarantee government getting what it pays for. It will bring in creative entrepreneurs and maintain only the successful ones."

These ideas, very much in keeping with President Clinton's stated goal of making government social services more effective and accountable, are worthy of attention in the coming national welfare reform debate. In New York City, meanwhile, hundreds of welfare recipients on America Works' waiting list deserve better. They too have "sparks" that ought to be recognized. ■

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At Home with Big Government

Tucker Carlson

Nowhere has the Federal Government been more generous with urban aid than in the city of Washington, D.C. That assistance has produced an enormous, poorly run municipal government beset with social problems and perpetual fiscal trouble.

In May 1992, 35,000 people gathered for the "Save Our Cities/Save Our Children" march on Washington. The demonstrators, led by 67 mayors including New York's David Dinkins, demanded more federal aid to the nation's urban centers. "A vast, peaceful march on Washington can be as powerful today as was the civil rights call to action by Martin Luther King in 1963," Dinkins said.

But had the mayors who converged on Washington taken a close look at its municipal government, they might have left town more skeptical about the power of federal aid to solve urban problems. Washington, D.C., is an example of what happens when mayors like these get what they pray for. Because of its unique status as the nation's capital, the District of Columbia receives more federal money per capita than any other jurisdiction in the country, and more than twice as much as the average state. For every dollar Washington residents pay in federal taxes, their city government gets $4.92 back. Washington's municipal government is vast and well-funded, but generous federal support seems only to have created a bureaucracy that is not merely inefficient but downright Byzantine, sapping individual and social initiative in the process.

The District's fiscal 1992 budget was $3.4 billion, an enormous sum for a city of fewer than 600,000 people. (The high municipal budget is due in part to the absence of a state government.) Federal aid accounted for $631 million of the District's budget in 1992 and could reach $672 million in fiscal 1993.

The city of Washington employs a greater proportion of its residents than any other municipality in America. Nearly one in five workers in Washington is on the District payroll, making it, like New York City's public sector, a larger employer than any local private-sector industry. The exact number of local government workers is open to question. Estimates published by the District government range from 40,966 to 55,900; the *Washington Post* recently reported the figure as 47,552. Mayor Sharon Pratt Kelly's estimate is a much more modest 28,000, but she refuses to count local government employees not under her direct control. Whatever their numbers, district employees are generously paid. In 1990, a paralegal employed by the District earned an average of $34,367, or 22 percent more than for a compa-

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rable position in the Federal Government; a "salary and wage administrator" was paid $45,244, or 24 percent more.

In some ways, Washington appears to be a healthy city. Personal income is well above the national average, and the unemployment rate, 8.3 percent as of March 1993, is one of the lowest among major U.S. cities. According to the federal Department of Labor, between 1987 and 1991 (the most recent period for which statistics are available), the District of Columbia had an average unemployment rate of approximately 6 percent, versus 7 percent for New York City and 18 percent for the city of Detroit, which is demographically similar to Washington.

More federal dollars for bigger local governments is a dubious formula for solving America's urban problems

Yet Washington is also a city with deep problems. It has a high poverty rate and vast slums where entire blocks of city-owned apartment buildings sit, abandoned and crumbling. Many of these neighborhoods are in the southeastern quadrant of the District, not shown on most tourist maps. Little economic activity goes on in this part of town: of the 175 biggest private-sector employers in Washington, only four are located in the Southeast quadrant.

With the highest per capita homicide rate of any major U.S. city, Washington is sometimes called the "murder capital of the nation." During the 1980s, the number of teenagers charged with homicide rose by more than 2,000 percent. In 1991, more murders were reported in Southeast Washington than in the entire city of San Francisco, which has a population more than ten times that of Southeast D.C. At any given time, fully 2 percent of the District's residents are behind bars.

These problems persist despite generous federal aid and the sheer size of the District government, which consists of more than eighty different agencies, offices, and commissions. The lesson, it seems clear, is that more federal dollars for bigger local governments is a dubious formula for solving America's urban problems.

The D.C. Welfare State

Washington has perhaps the most elaborate system of social benefits in the nation. In addition to the standard list of federal programs—Medicaid, Food Stamps, AFDC, and so forth—the District provides a range of other services that extend literally from cradle to grave.

A poor child in the District, whether his parents work or not, is eligible for day care subsidized in part or in full by the local Department of Human Services. The D.C. government spends more than $22 million a year on child-care subsidies.

If his parents own a car, the child can ride in a city-owned safety seat, provided by the District's Department of Public Works at the subsidized rate of $5.00 for nine months. If either of his parents is among the one in six Washingtonians who is on Medicaid, the seat is free.

When he gets to high school, the District resident can enroll in the summer youth program run by the Department of Employment Services. In 1992, the program recruited and employed more than 15,000 District residents age 14 through 21. "Everyone who registers gets a job," boasts a spokesman for the program. "There's no limit." Ninety percent of the jobs are in government. The spokesman adds that 14- and 15-year-olds in the program don't get real jobs—after all, "they don't have the skills"—but they still receive a government salary.

If he decides to further his education, the young Washingtonian can enroll in the University of the District of Columbia. There he can choose from among 74 undergraduate programs, for an enrollment fee of only $415 per semester. "I could pay for a whole year of school by working at McDonald's for a couple of weeks," says a former UDC student. If even this modest cost is prohibitive, a student can join the 20 percent of his peers

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who receive an average of $1,900 a year in financial aid to pay for tuition, books, and other expenses.

Should the resident decide to rent an apartment in the city, he can apply to Washington's Tenant Assistance Program, which provides rent subsidies averaging more than $500 a month. The FBI is investigating allegations that six employees of the District's Department of Public and Assisted Housing gave away or sold subsidy vouchers to people who were ineligible and took bribes in exchange for moving applicants to the top of the waiting list.

Throughout his life, the Washington resident will be guaranteed full medical services, including dental care. The Department of Human Services operates 13 dental clinics throughout Washington. They are supposed to charge patients based on their ability to pay, but in practice anyone claiming destitution and a toothache can get free care. (When I called the Adams-Morgan clinic to ask how much a checkup cost, I was told, "Don't worry too much about the money.") The Commission on Mental Health Service will cater to the Washingtonian's psychiatric needs, even offering "special mental health programs to meet the needs of multicultural groups, the homeless, and the hearing-impaired."

If a District resident is wounded in a crime, he is eligible for up to $25,000 in compensation for lost wages. If he is murdered, the District will pay for his funeral and burial.

As of 1987, the District of Columbia spent $899 per capita on welfare, nearly three times as much as the nationwide average of $329 in combined state and local expenditures, according to a study by the Cato Institute's William Niskanen. Basic welfare benefits, however, are not unusually generous. In fact, Niskanen found, the average welfare check is slightly lower in Washington than in the rest of the country. There are several reasons for the high rate of expenditures, including the District's high poverty rate, lenient eligibility requirements, and enormous and costly welfare bureaucracy.

The Culture of Incompetence

The District's welfare programs are administered by the Department of Human Services (DHS). With a budget of $1.2 billion in fiscal 1993, the department consumes nearly one-third of all District expenditures. But despite, or perhaps because of, all its resources, the DHS is inefficient. By 1990, for example, the Commission of Social Services, the DHS division that dispenses AFDC and Medicaid and oversees adoption and foster care, had lost 11 different lawsuits charging "inadequate or substandard service." Many more suits were pending. A September 1992 audit found that the department had failed to investigate more than six hundred reported cases of child neglect within the legal time limit of thirty days.

A prime reason for such inefficiency is that the District's mammoth bureaucracy makes it next to impossible to hold workers accountable. A request to fire an employee must be approved by no fewer than seven separate offices before it can be seriously considered. The District's governmental structure, with relatively few officials who must face the voters, contributes further to this lack of accountability. The mayor, the 13-member D.C. Council, and the school board are the only city officials elected by popular vote. All others are appointed by the mayor and the council. Moreover, local government employees form a sizable voting bloc, giving the mayor and the council a strong incentive not to reduce their ranks.

As a result, inefficiency is endemic to D.C. government. *The Washington Monthly* reports that District libraries spend $9.50 in operating costs for every book circulated. Three-fourths of all library funds go to salaries; less than 10 percent is spent on books.

Even the fire department is inefficient. The department responds to all ambulance calls, whether they involve fire or not. And, according to James Fyfe, a professor at Temple University, District regulations require all calls to be answered by five firemen and two pieces of equipment, although nine out of ten could be handled by three

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Union Station, Washington, D.C.

men and one piece of equipment. The average full-time D.C. firefighter works sixty 24-hour days a year, Fyfe says. "That includes time spent asleep."

Crystal Smith, a former District employee who spoke on condition that her real name not be used, has an insider's view of Washington's government. At age 18, after graduating from high school in Maryland, she moved to the District to join the summer youth program. She worked in the Department of Public Works, where she sometimes rode with sewer repairmen as they drove to their assignments. "The guys who drove the trucks used to stop off at the liquor stores over lunch," Smith recalls. "They'd get back in the trucks and drive them drunk."

After a year, Smith got a job in the payroll office of the District's Sewer Services Department, a division of the Department of Public Works, where she worked for four years. Again, she says, substance abuse was rampant. "A lot of people in my office did 'Love Boat'—PCP—at work. At lunch time they'd go and do their thing and come back and sit at their desks. They couldn't do any work, so they'd give it to someone who could."

"No one got fired," Smith continues. "It's hard to fire people; there's a lot of paperwork." Her supervisor had particular difficulty dealing with paperwork: "He could barely read or write," she recalls.

But Smith says the worst problem in the Department of Public Works was disorganization. "There were piles and piles of papers in the office. Sometimes when I walked by one secretary's desk, huge piles of papers would fall off and I'd have to pick them up." Once, she says, she found a stack of workers' compensation forms that had been misplaced in a bathroom. By 1992, Smith had become

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Washington, D.C., in 1792

GEORGE TOWN
PART OF VIRGINIA WITHIN THE TERRITORY OF COLUMBIA.
POTOMACK R.
Lat. Capitol, ... 38° 53′ N.
Long. ..... 0° 0.
OBSERVATIONS explanatory of the Plan.
I. THE positions for the different Edifices, and for the several Squares or Areas of different shapes, as they are laid down, were first determined on the most advantageous ground, commanding the most extensive prospects, and the better susceptible of such improvements, as either use or ornament may hereafter call for.
II. LINES or Avenues of direct communication have been devised, to connect the separate and most distant objects with the principal, and to preserve through the whole a reciprocity of sight at the same time. Attention has been paid to the passing of those leading Avenues over the most favorable ground for prospect and convenience.
III. NORTH and South lines intersected by others running due East and West, make the distribution of the City into Streets, Squares, &c. and these lines have been so combined as to meet at certain given points with these divergent Avenues, so as to form on the Spaces, first determined, the different Squares or Areas.
SCALE OF POLES.
0 100 200 300 400 500 600 Poles.
0 1 2 3 4 5 6 Inches.

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The Perpendicular height of the ground where the Capitol is to stand is above the tide of Tiber Creek 78 Feet.
Tiber Creek
Perpendicular height of the West branch above the tide in Tiber Creek
PLAN
of the CITY of
Washington
in the Territory of Columbia,
ceded by the States of
VIRGINIA and MARYLAND
to the
United States of America,
and by them established as the
SEAT of their GOVERNMENT,
after the Year
MDCCC.
Engraved by Thackara & Vallance Philad.a 1792.
Capitol
PART OF MARYLAND WITHIN THE TERRITORY OF COLUMBIA.
POTOMAC RIVER
EASTERN BRANCH

Breadth of the Streets.

THE grand Avenues, and such Streets as lead immediately to public places, are from 130 to 160 feet wide, and may be conveniently divided into foot ways, walks of trees, and a carriage way. The other Streets are from 90 to 110 feet wide.

IN order to execute this plan, Mr. ELLICOTT drew a true Meridional line by celestial observation, which passes through the Area intended for the Capitol, this line he crossed by another due East and West, which passes through the same Area. These lines were accurately measured, and made the basis on which the whole plan was executed. He ran all the lines by a Transit Instrument, and determined the Acute Angles by actual measurement, and left nothing to the uncertainty of the Compass.

WASHINGTON, D.C. IN 1792
Reproduced from an engraving in the Cornell University Library.

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so frustrated that she left the government. "People in District government don't take their jobs seriously," she says.

But for thousands of local high school students, the District government is a source of lifelong job security. The average employee in the executive branch of the D.C. government makes $29,390 a year and has worked in government for 13 years—appealing statistics to graduating seniors facing tough competition in the private-sector job market. Washington's public schools do little to dissuade their students from taking this route. All public high schools in the District offer a course called "Civil Service Prep." The course does not teach students how to be competent public servants, according to Rodney McDaniel, a senior at Washington's Dunbar High School. It merely "teaches you how to pass the civil service exam, in case you want to work in the government."

Small Business Blues

Not surprisingly in a city whose biggest industry is the Federal Government, the business community in Washington is relatively small. The District's largest private-sector employer is the *Washington Post*, which has about four thousand workers. The second- and third-largest are local utility companies; also on the top-ten list are McDonald's and the Marriott hotel chain.

Despite Washington's small private sector, the District government has more than two thousand regulators to police businesses—three times the average for U.S. cities of comparable size. These regulators sit on 167 boards and commissions, under the aegis of the Department of Consumer and Regulatory Affairs (DCRA), and regulate 110 categories of businesses.

Many of the DCRA's boards are typical of any city, overseeing restaurants and hospitals, for example. Others are more exotic, such as the Advisory Committee on Acupuncture, the Bicycle Advisory Council, the Gas Station Advisory Board, and the Refrigeration and Air Conditioning Board. Some are ludicrously anachronistic. There is a Commission on Baseball, even though Washington has not had a Major League team since 1971. And there is a Nuclear Weapons Freeze Advisory Board—whose stated purpose, as of March 1993, is "to support a mutual U.S.-Soviet Union nuclear weapons freeze as a first step towards arms reduction."

Almost all of these boards offer some form of compensation to those who sit on them. The D.C. Lottery and Charitable Games Control Board, for instance, meets 11 times a year and pays an annual salary of $18,000 to its chairman and $15,000 to each of its members. Boards like these are natural incubators for corruption and favoritism. In 1988, a former chairman of the Boxing and Wrestling Commission pled guilty to fraud charges stemming from several thousand dollars in falsified expenses she charged to the city while on a junket in San Francisco.

Worse than such corruption is the regulatory burden the DCRA imposes on the District's small businesses. In 1992, Virginel Herndon opened a card and stationery shop called My Sentiments Exactly. Even before she opened her doors, however, Herndon had trouble getting an occupancy permit; the government lost her application. Then, within weeks of opening, Herndon ran afoul of the Department of Consumer and Regulatory Affairs. "They said we needed a license to sell food. But we only sell baskets with jelly beans or balloons with candy at the bottom." She completed the paperwork for a permit, and found DCRA officials anxious to verify that her card store met the many regulations pertaining to food sales. "Inspectors come about once a month without warning," she says. "These are the same people who check restaurants to see if they're clean. They come to make sure we have the right kind of sink." Her experiences with city government have soured Herndon on doing business in Washington. "It's expensive to operate a business here. It's cheaper in Maryland, but I didn't know that until after I bought this place."

If Herndon got too much attention from the DCRA's regulators, Cecelia Park and her family didn't get enough. In 1992, the immigrant family

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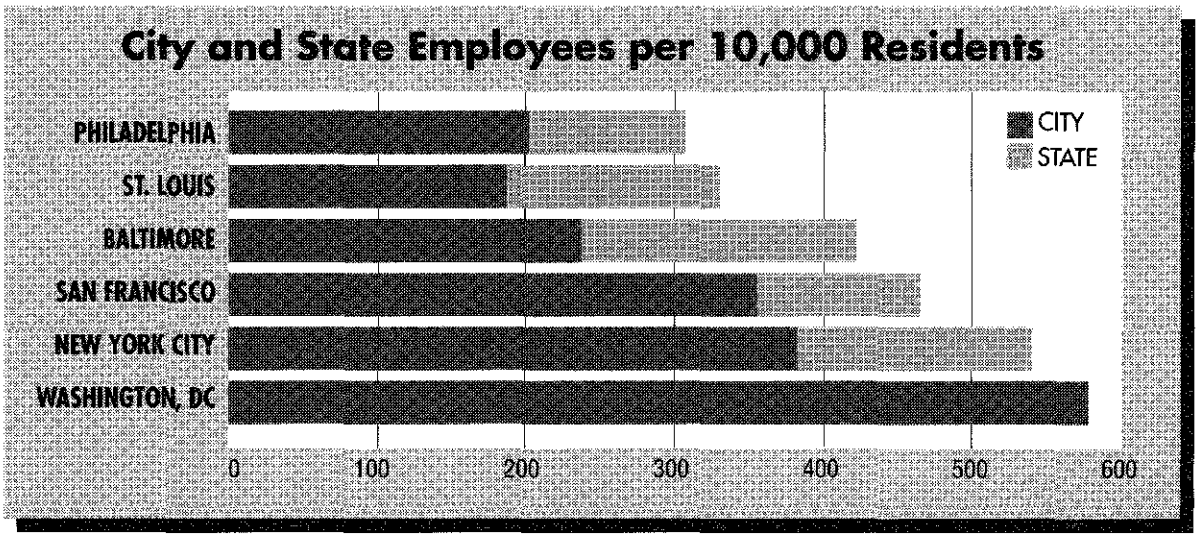

Note: Full-time equivalent government employees (excluding elementary and secondary education) per 10,000 residents. State employment levels are statewide. The cities selected for comparison are either independent or coterminous with their counties.

Source: U.S. Census Bureau.

took out a bank loan to buy a liquor store. In early November, they submitted an application for a liquor license transfer to the District Alcoholic Beverage Commission. "The longest we thought we'd wait was until the end of January," she says. When the transfer didn't materialize, the Parks hired lawyer Roy Kaufman, who called the board to check on the status of the transfer. "Don't call us," Kaufman was told. "We can't even expect to get to yours until mid-March." In the meantime, the owners of the store were unable to sell it to the Parks, who had no income to cover the loan payments. Across the Potomac in Virginia, Kaufman says, it takes 15 days to transfer a liquor license.

The DCRA's regulators also make life difficult for those in the construction business. Al Scaldaferri, a supervisor at Pollard Construction, says that fees for building permits can drive independent contractors out of town. "They cost a percentage of the price of the job you're doing. For a $300,000 bid, you'll pay the city $3,600. . . . The city checks building sites often to make sure you have a permit. If you don't, they'll call the Federal Marshals." Even the application process is burdensome. "When you go down to get a permit, a man is going to be there for a minimum of eight hours, and then the city will hold the paperwork for a week, if not a month." One small builder says he has just given up: "I don't even bother to try to work in the District."

The Continuing Crisis

The District's massive government workforce and unfettered spending have caused a predictable fiscal crisis. In July 1992, Mayor Kelly estimated that the city's budget deficit for fiscal 1993 would be $25 million. Six months later, with apparent surprise, she projected a $336 million shortfall—more than twice the deficit for the state of Maryland, which has eight times as many people as the District. In early 1993, independent analysts were projecting that the budget deficit would reach $1 billion by 1995.

Budget shortfalls are nothing new. For years the District has run low on cash annually during late spring. Since 1984, it has raised money by selling short-term "tax anticipation notes" on the

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bond market. These are usually offered in June and are based on projected revenues in September, when property taxes are collected. In 1991, the District borrowed $300 million against these bonds. Tax-anticipation bonds are a common device for raising municipal revenue; they contributed to New York City's fiscal crisis in the 1970s. But their usefulness for Washington may have ended. The District has become such a serious credit risk that Standard and Poor's may give Washington's bonds a rating that requires them to be sold at prohibitively high interest.

A government expanding without limit is no more feasible than a perpetual motion machine

Not surprisingly, among the remedies Mayor Kelly has proposed for the District's budget problems are higher taxes and more federal money. When Congress prevented her from taxing commuters from nearby Virginia and Maryland, Kelly added several other tax hikes to her budget, including elevated property taxes and an increase in license fees for street vendors from $130 to $1,500. In February, President Clinton promised the District an additional $28 million in aid. But with the District planning to spend $60.7 million a year on office space alone, and with only 258,000 taxpayers out of a population of 589,000, these new revenues are unlikely to balance the books.

There are signs, however, that D.C. officials are recognizing that the only way to solve their fiscal problems is to cut the size of the municipal government. When Kelly ran for mayor in 1990, she promised to fire thousands of bureaucrats. She recently claimed to have reduced municipal employment by 1,619 jobs as of the end of 1992. But Brenda Box, the press secretary in the city administrator's office, says that only 671 positions were eliminated between January 1991 and February 1993. About half of these positions were vacant when they were eliminated, according to Box, who says the mayor actually fired only 334 people. And union members were exempted from the firings.

In March 1993, the D.C. Council, in a 12-to-1 vote, approved a far more thorough restructuring of local government: a budget that would cut more than three thousand workers, including union members. Council members recognized that the high tax burden was driving people and businesses out of the District, which has lost some 12 percent of its population since 1980. "We were trying to send a very strong and clear message that we want people to stay in the District of Columbia," said Councilwoman Linda Cropp. Even former Mayor Marion Barry, who won a seat on the council after serving a term in federal prison, said, "We can't afford all these people we have on the payroll." Barry, of course, had hired the great bulk of them.

These are encouraging signs in a city whose government is something of a political time capsule. Its racially polarized electorate and voting blocs of city employees are reminiscent of James Curley's Boston in the early twentieth century; its political assumptions are an unreconstructed version of the Great Society. The generous flow of federal money has allowed the District's leaders to avoid reckoning with the hard lesson of both eras—that a government expanding without limit is no more feasible than a perpetual motion machine. But municipal officials in Washington have been forced to take the first steps to restructure an enormous bureaucracy out of touch with the needs of citizens. The leaders of other cities should take note. ■

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No Surrender

Daniel Patrick Moynihan

Though New York is a much wealthier city today than a half-century ago, it suffers from an epidemic of crime. One reason is that the citizenry has developed an alarming tolerance for antisocial behavior.

Delivered at a meeting of the Association for a Better New York on April 15, 1993:

I'm going to ask you to look back and ask yourselves what in New York City is better today than it was fifty years ago.

It will be fifty years ago, this June, since I graduated from Benjamin Franklin High School in East Harlem, in the company of Joe Galiber, who later became State Senator Galiber, and a number of other prominent New Yorkers. Now I find myself at this half-century mark thinking, "How much better a city do we have?" and wondering where we went wrong.

If you look at the newspapers from the 1940s, the thoughts just jump out at you. We were a city of roughly the same size—about 150,000 more people than now. We were still in the Depression, but the city was able to respond positively to what was happening. We had half a million people on relief in 1935. By 1943 we were down to 73,000, of whom only 93 were claimed as employable by the city. Mayor Fiorello LaGuardia, who was a wonderful man, got FDR to get the Brooklyn Navy Yard going, and soon thousands of people were at work building *Iowa*-class battleships. In time, the city began its ascent to the incomparable heights that followed just after the war. But we were a city that already had a social structure, an infrastructure that included the finest subway system and housing stock in the world, the best urban school system, and, in many ways, the best-behaved citizens.

Over on the West Side we made a fuss about Hell's Kitchen and its street gangs, but in truth the neighborhood was, in a way, almost idyllic. In 1943 there were exactly 44 homicides by gunshot in the entire city of New York. Last year there were 1,499.

Delinquency scarcely existed. When Mayor LaGuardia, who was concerned about the city's youth, visited our new school on 116th Street, I interviewed him. His message was this: "Take your lessons seriously, but never forget how to have fun." But he didn't mean too *much* fun. When the mayor heard about young people in Yorkville who were hanging about "cider stubes" drinking soft drinks, he thought we had had enough of that, and directed that they be closed

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down. In his annual report, Police Commissioner Lewis Valentine would describe with shock the juvenile delinquency cases, whose numbers seem paltry today, that made their way to the police blotter. The number of abandoned children seemed to have sharply increased, perhaps owing to the drop in morals associated with wartime. There was a headline in the *New York Times*: "Abandoned Babies Increasing in City—74 Brought into Foundling Hospital This Year." Seventy-four.

The decline since then in our social institutions is really without parallel. Most important is the decline of family, without which a society this large just cannot function. In 1943 the illegitimacy rate in New York City was 3 percent. Last year, it was 45 percent; in some health districts it is as high as 80 percent. Parts of the city are overwhelmed by the social chaos that has resulted from our inability to socialize young males, and it grows worse every year.

I have been corresponding with Judge Edwin Torres of the New York Supreme Court, who was raised in the barrio, in the neighborhood where my high school was located. Here are his words: "The slaughter of the innocent marches unabated: subway riders, bodega owners, cab drivers, babies; in laundromats, at cash machines, on elevators, in hallways."

Judge Torres decries society's acceptance of this violence. Victims in his courtroom will say, "Well, I suppose I shouldn't have been out at that hour of the night," or, "It's probably my fault that I got in the way of the bullet." He writes more in his letters: "This numbness, this near-narcoleptic state, can diminish the human condition to the level of combat infantrymen, who, in protracted campaigns, can eat their battlefield rations seated on the bodies of the fallen, friend and foe alike. A society that loses its sense of outrage is doomed to extinction."

This winter in *The American Scholar*, I published an article entitled "Defining Deviancy Down." I wrote that there is always a certain amount of deviancy in a society. But when you get too much, you begin to think that it's not really that bad. Pretty soon you become accustomed to very destructive behavior.

© David Lubarsky

This subject came to me the morning after the Democratic Convention. My wife and I were driving upstate, and I was reading. The paper reported that there had been another execution-style murder. The story was noteworthy not because there had been an execution—there's one every night. But in this case, a male, female, and teenager were ordered to lie down, and shot in the back of the head. When the stink of human flesh began to make its way into the hallway, the police arrived. They found a little baby, dehydrated but alive, that the woman had hidden under the bed. A new twist.

When I settled down to work on my article, I remembered the St. Valentine's Day Massacre. I got out the *World Book Encyclopedia*, which is a wonderful thing, to look it up. The St. Valentine's Day Massacre in 1929 in Chicago has *two* entries in the *World Book Encyclopedia*. Two. Along with the Battle of Thermopylae and other important events. The country was outraged. Al Capone had sent four of his men, and, dressed as police, they rubbed out seven of Bugs Moran's men. All were adults, to be sure, who knew what they were up to. But it shocked the country. How many of us have never heard of the St. Valentine's Day Massacre? We even changed our Constitution as a result of it. We said: This is not acceptable behavior.

This St. Valentine's Day in our city, we had a massacre that was eerie. Six people were found lying on a floor; five were shot in the back of the head. One young woman, who turned her head, was shot in her eye. The following day, a seventh, who was a

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witness, was murdered in the Bronx County Courthouse. This is civilization slipping away. This is what George Will meant when he recently observed that "we are experiencing in America today something without precedent in urban history: broad-scale social regression in the midst of rising prosperity."

New York was a much poorer city fifty years ago, but a much more stable one—one that prepared you better for the uses of prosperity when it came. I learned about Pearl Harbor from a man whose shoes I was shining on Central Park West, next to the Hayden Planetarium. On Sundays, you shined uptown, around the Museum of Natural History, where the people were. Saturdays were spent downtown. Five years later, I was an officer in the United States Navy. Benjamin Franklin High School did that for me. They thought it was routine. And it was. Joe Galiber went on to become a state senator. Many others rose to prominent positions.

New York was a much poorer city fifty years ago, but a much more stable one

Is that behind us? New York City once had the finest urban housing stock in the world. We could do things in no time at all! In the dear old days of Jimmy Walker, we could build the George Washington Bridge in four years and one month, and think far enough ahead to make it structurally capable of carrying a second deck when the traffic grew. When Mayor LaGuardia's plane was forced to land in Newark because Floyd Bennett Field was fogged in, he took out his ticket and said, "Mine says Floyd Bennett Field; what am I doing in a place called New Jersey?" Twenty-four months later, LaGuardia Airport opened. We can do such things again. But it seems to me that we dare not lose the memory of what we have lost.

I was hugely encouraged by an address which Police Commissioner Raymond Kelly gave to the FBI's Second Symposium on Addressing Violent Crime Through Community Involvement. His address was entitled "Toward a New Intolerance." In it, he called for an intolerance of violence, an end to what Judge Torres describes as our "narcoleptic state" of acceptance. I would like to end my remarks today by quoting from Commissioner Kelly's speech:

> There is an expectation of crime in our lives. We are in danger of becoming captive to that expectation, and to the new tolerance of criminal behavior, not only in regard to violent crime. A number of years ago there began to appear in the windows of automobiles parked on the streets of American cities signs which read: "No radio." Rather than express outrage or even annoyance at the possibility of a car break-in, people tried to communicate with the potential thief in conciliatory terms. The translation of "No radio" is: "Please break into someone else's car, there's nothing in mine." These "No radio" signs are flags of urban surrender. They are handwritten capitulations. Instead of "No radio," we need new signs that say "No surrender."

Societies under stress, much like individuals, will turn to painkillers of various kinds that end up concealing real damage. There is surely nothing desirable about this. If our analysis won general acceptance—if, for example, more of us came to share Judge Torres's genuine alarm at the trivialization of the lunatic crime rate in his city (and mine)—we might surprise ourselves with how well we respond to the manifest decline of the American civic order. Might. ■

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Kaus and Horowitz Debate Welfare Reform

Mickey Kaus, author of the provocative book The End of Equality, *has emerged as a leading voice in the debate over welfare reform. Kaus, a senior editor of* The New Republic, *proposes wide-ranging policy reforms aimed at encouraging social equality and rebuilding the work ethic in the American underclass. Michael Horowitz, a senior fellow at the Manhattan Institute and former general counsel in the federal Office of Management and Budget, is critical of many of Kaus's proposals. The Manhattan Institute recently hosted a debate between Kaus and Horowitz.*

KAUS

What do we mean by "equality"? Liberals have often pursued equality of income, or what I call "money equality." But I believe that what lies behind this pursuit is a goal that liberals and many conservatives could agree on: social equality. The best definition of social equality I have heard was offered by Ronald Reagan at the 1992 Republican Convention. "We are all equal in the eyes of God," he said. "But as Americans that is not enough—we must be equal in the eyes of each other." How can we achieve this goal?

In my book, I discuss three threats to social equality. The first is the growing inequality of income. I argue that it's growing so fast that the trend cannot be reversed. The second threat is meritocracy. If "what you earn depends on what you learn," then there's a dispiriting possibility that those on top will think not just that they have more skills, but that they're better than those on the bottom. The third threat is the destruction of the public sphere of life in which everybody participates as an equal. The classic example is public parks, once havens of social equality where everybody treated each other with

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respect and civility. A second example is the draft, which once—but no longer—combined Americans of all classes in a common endeavor.

How are we going to restore social equality in the face of these threats? One alternative is the traditional liberal approach of trying to equalize incomes. I argue in the book that this effort is futile, not only because the inequality trend is so strong, but also because you can't buy much social equality by equalizing money anyway.

A far more productive strategy is what I call civic liberalism. There are three elements to this approach. First, rebuild the public sphere as much and as quickly as possible. Reinstitute the draft, start a national service program, create a national health system that mixes all the classes in a single system of care, take the money out of politics so that our political life becomes more egalitarian, have a system of day-care centers where the children of rich and poor use the same facilities, and restore some meaning to our public holidays so that they become more than three-day weekends.

The second element is to assimilate the underclass. The very existence of the underclass is a violation of social equality. People who are trapped in long-term poverty, resented and resentful, can't possibly think of themselves as equals. And it's the crime generated by the underclass that most obviously destroys the public sphere and sends middle-class people scurrying for the safety of the suburbs and the private sphere.

The third element of this strategy, once the underclass has been assimilated, is to integrate the social classes in neighborhoods and schools. As long as there is an underclass, integrated housing is impossible—nobody wants to live next to people in the welfare culture. But once the underclass has been assimilated, we will have a shot at getting working-class and upper-middle-class people to live close enough to each other to use many of the same schools and other public facilities.

How do we assimilate the underclass? In my book I attack what I call the "give them cash" consensus of the late 1970s. This was not merely a left-wing consensus; the notion originated with Milton Friedman. He argued that antipoverty programs spend a lot of money trying to help the indigent, but end up supporting bureaucrats and poverty pimps. Instead, he said, let's be efficient: the one thing the government can do efficiently is send out checks, so let's send the checks directly to the poor and get rid of the middleman. The left embraced this idea and produced a variety of guaranteed income plans. The problem, unfortunately, is that sending checks to poor people sustains the current culture of single-parent families dependent on welfare rather than work.

If welfare enables the culture of the underclass, then ending welfare can disable that culture. But we have to offer something better; it's immoral, I think, to end welfare unless we can ensure that there is a decent job available for anyone who needs one. So I propose ending all cash assistance to able-bodied Americans, including single mothers, and replacing it with a program similar to the New Deal's Works Progress Administration (WPA), guaranteeing a job to any American over 18. In 1935, when Franklin Roosevelt ended cash "relief" and initiated the WPA, he failed to apply this decision to single mothers. Aid to Families with Dependent Children (AFDC) is the one loophole Roosevelt left in his welfare state, and it has grown into a huge problem.

Ending welfare entails doing a lot of very expensive things. We have to provide day care for all single mothers who need it. We have to offer income supplements to all low-wage workers: You can't have a WPA that pays more than McDonald's, because everybody would leave McDonald's and go to work for the WPA. The WPA therefore has to pay a subminimum wage, and income supplements are necessary so that somebody in a WPA job can live a minimally decent life.

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The payoff for these expenses is that the underclass welfare culture would be unable to sustain itself. Today a girl growing up in the ghetto knows that if she has a child out of wedlock, welfare will sustain her. Under my proposal she would not have that assurance. If she had a child, she would have to provide for herself, juggling motherhood with a job—possibly a not-very-lucrative job. Given this choice, she would tend to think twice; she would more likely wait to get married or finish school and start working before having children.

In what is probably the first shot of the impending attack on Bill Clinton's welfare plan, Christopher Jencks has argued that requiring welfare mothers to work does not make them richer; it just makes them busier. He is right, but that is the point: to force welfare mothers to confront the full consequences of their decision to have a child out of wedlock. The prospect of being busier will deter some women from making the disastrous decision to go on welfare in the first place. Remember that the goal of welfare reform is not simply to help those people currently on welfare. It's also to keep people who aren't on welfare from going on the rolls.

Such a plan of guaranteed employment would promote social equality by vindicating the value of work. The work ethic, as Lawrence Mead has pointed out, is one value that can unify all income classes. Work is one of the few tests that both rich and poor can pass. We need to create a society in which everybody who works can hold his head up and live with dignity. That's why I think that all government cash benefits—not just welfare—should be work-tested.

A WPA program would be expensive. The people I've talked to estimate that it would cost about $50 billion a year to do everything right. That includes the cost of day care and income supplements. I think it's well worth spending that money. The economic payoff would be immeasurable if you could take all the potential doctors and physicists who are now wasting their lives in the ghetto and bring them into the mainstream economy.

HOROWITZ

Mickey Kaus has written an extraordinarily brave and honest book. He understands the depredations that the welfare system has committed on the underclass. He not only talks about AFDC having caused an explosion in the numbers of people on welfare, but also criticizes Medicaid and Food Stamps for having caused millions of people to "go on the dole." He identifies a decline of civility and shows that government programs are the primary cause, making this case far more convincingly than the Reagan administration ever could.

But what is his solution? He doesn't want big government, which he says has caused these problems—he wants *really* big government. He says, in effect, give government another chance, a lot more money, and a lot more coercive authority, and my tough-love regime will work in ways all of the other programs haven't.

My six years in government, however, showed me the ease with which government programs are captured by special interests who invariably sell out the poor. I agree that it would be well worth spending $50 billion on Mickey Kaus's program—or twice that—if it would work. I'd even be inclined to do so if our only risk were alienating the suburban taxpayers Kaus wants to soak in order to pay for it. The most troubling aspect of his proposal, however, is the grave risk—which Kaus fails even to acknowledge—that it could make matters worse.

In my view, the Kaus plan is almost certain to become another entitlement. Decades down the road, the next generation of Mickey Kauses will talk about how the Kaus government-guaranteed job program created yet more indifference to the work ethic, yet more underclass dependence and hopelessness, yet more social division. And they won't even be able to get rid of the program.

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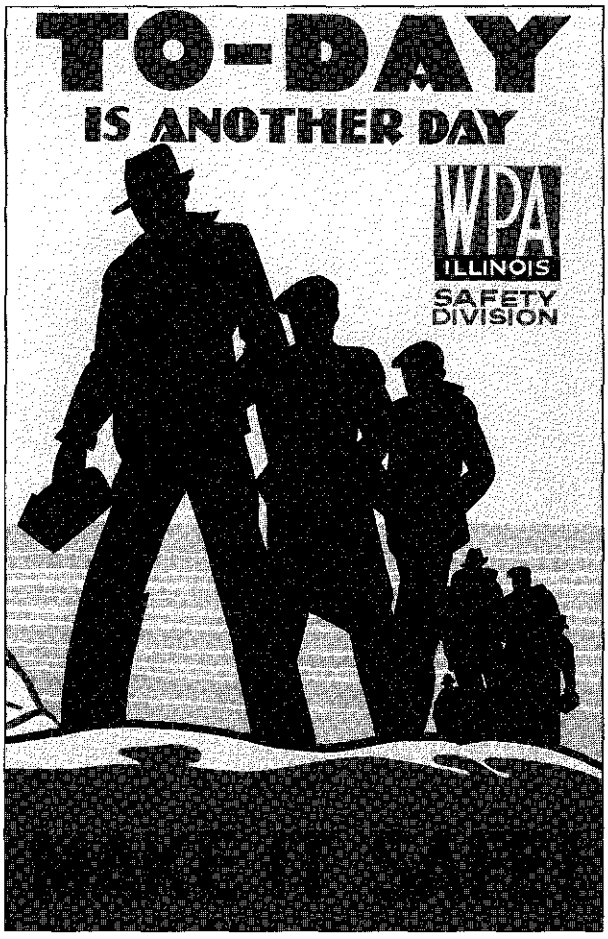

A poster for the New Deal's Works Progress Administration.

In *The End of Equality*, Kaus discusses the infamous CETA program, through which 650,000 welfare recipients were supposed to receive job training. The public-employee unions gutted the program, fearful that their members would lose their jobs. The Kaus program would likewise be undermined. It would turn three or four million welfare recipients into union members with civil service tenure in make-work jobs. Nor would Kaus's notion of a subminimum wage rate last very long. Congressional hearings raising the specter of allegedly hard-working poor people employed by the government at "less than living wages" would have their predictable effects. Kaus can't name many government employees who don't make out well, and he won't be able to give examples of federal entitlement programs whose costs haven't gone up sharply over time. It's no accident.

How about the idea of firing people who don't show up for work? There will be hundreds of pages of regulations dealing with who can be fired, when, how, and under what conditions. Legal-aid lawyers will create endless litigation over job ratings, permissible work assignments, and so forth—and they will, as they've always done, beat the government agencies' lawyers hands down. As Kaus himself noted, the Federal Government had 2.2 million employees in 1990, and only 403 were fired for incompetence. Can we expect judges to uphold the firing of WPA workers, particularly if it means they will be thrown out into the cold, welfareless world?

Liberal judges may, moreover, effectively invalidate work requirements through their construction of constitutional rights. Justice William Brennan has said that his favorite decision in all his years on the Supreme Court was *Goldberg* v. *Kelly*, a ruling that said welfare benefits could not be taken away without so-called due process hearings. Other decisions, some of constitutional dimensions, have made it difficult to dismiss government employees. Two Clinton appointments to the Supreme Court, and Mickey Kaus's program could become precisely what he doesn't want—a constitutional entitlement program which makes it prohibitively difficult to apply sanctions for refusal to work.

Even if the program survived the courts, there are other reasons it would not work. Mickey Kaus talks about the WPA as if it were a successful program. In fact, the term "boondoggle" came into being with the WPA. The unpopularity of make-work jobs, leaf raking and the like, almost sank the New Deal. The New Deal programs that worked and were popular offered cash assistance—deliberately *modest* cash assistance—to people who were able-bodied but could not find work, or were not able-bodied and therefore could not work.

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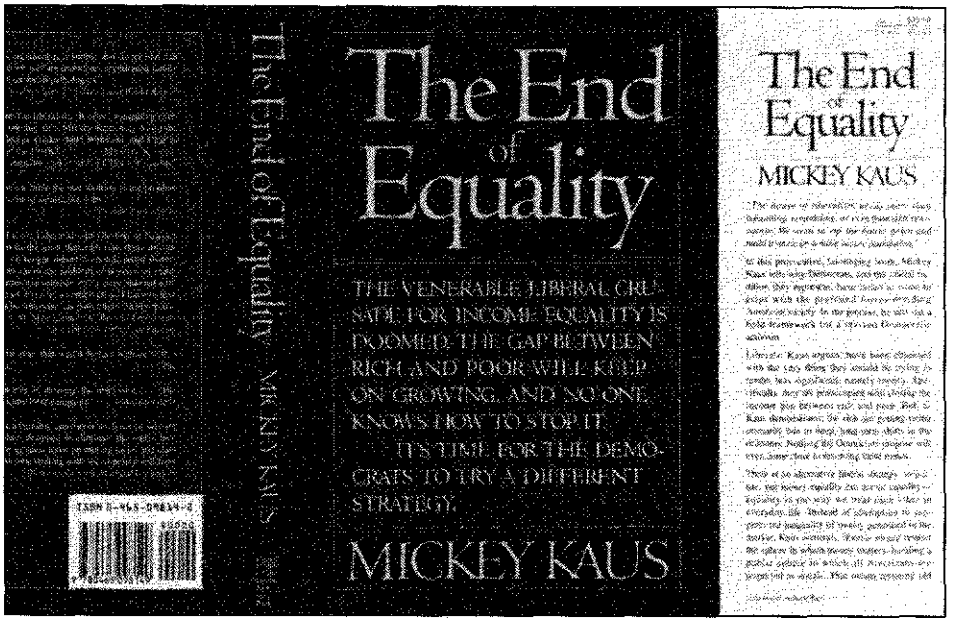
The End of Equality
MICKEY KAUS
THE VENERABLE LIBERAL CRUSADE FOR INCOME EQUALITY IS DOOMED. THE GAP BETWEEN RICH AND POOR WILL KEEP ON GROWING, AND SO ONE KNOWS HOW TO STOP IT. IT'S TIME FOR THE DEMOCRATS TO TRY A DIFFERENT STRATEGY.
MICKEY KAUS
The End of Equality
MICKEY KAUS

The great battle over social welfare programs in this country has been between the ideas and design of Roosevelt's New Deal and those of Lyndon Johnson and his Great Society. The New Deal sought to provide a safety net for people without jobs so that they would not need to resort to private charity for their bare necessities. The grandiose Great Society had as its objective the abolition of poverty, not "merely" the amelioration of its immediate effects. Grand schemes with utopian objectives were hallmark Great Society approaches, precisely on the order of Mickey Kaus's guaranteed jobs program.

One benefit of the New Deal design—and this should provide a profound caution to Mickey Kaus—was that its principal programs involved little more than check writing. There is a good reason why this is one of the few things government does efficiently. Such ministerial programs are inherently difficult for administrators to capture for their own purposes, so they have a lesser stake in expanding the programs. This virtue will, of course, not be present in a $50 billion regime of job supervisors, training areas, work orders, and high overhead costs. Those "payments for services" would mostly go to people like us, leaving precious little money trickling down to the poor.

The intent of the New Deal, moreover, was to provide assistance only to the "deserving poor"—those unable to work through no fault of their own. Thus, Social Security for the elderly, disability assistance for those who could not work, and unemployment insurance for those who had lost jobs were hallmark New Deal programs. The only major break in the pattern occurred on an unauthorized basis, and the story is revealing. Frances Perkins, perhaps the most liberal member of the Roosevelt Cabinet, broke sharply with Katherine Lenroot, the head of her Children's Bureau, because when the Social Security Act was being written, Lenroot, unbeknownst to Perkins, had made unwed mothers eligible for AFDC assistance. Perkins had worked in homes for unwed mothers and would have restricted AFDC to widowed and divorced mothers. She was prepared to give no government money at all to impoverished mothers of illegitimate children, rather than create the irresponsibility and social pathology she believed would result from a federal support system.

How can we reform welfare? Not with bigger government, or with Frances Perkins's draconian approach of none at all. Less government is the answer. We can scale back welfare payments to New Deal dimensions. We can also deregulate the bottom rung of the economic ladder, repealing minimum-wage laws that have priced underclass people out of the labor market; the Davis-Bacon Act, which requires union wages for government con-

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struction jobs and was originally passed in part to keep blacks out of the construction business; licensing laws that make it difficult to enter such high-tech fields as cosmetology and taxi driving; and rent-control laws, which discourage the development of low-income housing.

Another important element of reform is federalism. Instead of imposing a "one size fits all" solution, allow states to experiment, to compete with one another to see who does better. Resistance to federalism has been based on the notion that states are looking to push poor people away, and therefore the Federal Government has to act as the tribune of the poor. But it is precisely this tribune, as Kaus himself points out, that has been a prime source of our current problems.

Money isn't the answer, and Mickey Kaus doesn't need to feed the bureaucratic hand he otherwise fiercely bites in order to insist on the standards of behavior he knows are needed. In fact, we can flatly insist on good conduct without having to create massive programs to entice people to live up to appropriate rules. When I was in the government, I was visited by a housing official who had come to protest the Reagan cuts in the housing budget. I asked him, "Suppose we offered to double your budget, but we gave you an alternative: the right to summarily evict no more than 10 percent of your tenant population. Which would you choose?" He looked around theatrically, as if he wanted to make sure no one else was in the room, and said, "Are you kidding? Give us a chance to run our projects and to enforce our rules, and we'll do wonders."

Another time, I set up a meeting between Reagan and twenty ghetto high school principals who had turned their schools into places with long waiting lists, high college entrance numbers, and other sadly rare measures of success. One of them said, "You could have put a billion dollars into my school, and it would have been pouring it down a rat hole. But when I came into the school, I instituted dress codes and I suspended the bad kids—who, by the way, often came back and became my best students." The other principals nodded their heads as he continued: "The reason I made it was that when I took the steps I did, neither my school board nor the ACLU had a clue of what I was doing. If they had, they'd have stopped me cold."

Just as he thinks we need bigger government to cure our underclass problems, Kaus also thinks we need more powerful government to create the social integration he correctly says we need. He'd do it by forcing us all into the same medical waiting rooms and day-care centers, by reinstating the draft (irrespective of its effect on military efficiency), and by throwing monumental sums of fresh federal funds at city governments and school systems. It doesn't occur to Kaus that curbing political machines and their union partners, another no-cost reform, would work wonders in making cities more livable and viable. It also doesn't occur to him that even if we could afford to give current urban regimes more money, doing so could exacerbate our cities' problems. In sum, Kaus has no faith that people will accept the richness of diversity unless forced to do so by federal bribes and coercion. My faith is different: I believe that people will wish to enjoy the lively interchange of communities like New York once we empower them to create incentives for responsible behavior.

KAUS

Michael Horowitz has an idiosyncratic idea of the New Deal: that its genius lay in giving cash to poor people. In fact, his own story about Frances Perkins proves him wrong. She was furious that the AFDC program had been created, precisely because it gave assistance in cash. The WPA was not some sort of aberration in an otherwise brilliant New Deal scheme of dispensing cash to the poor. In his 1935

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State of the Union address, Roosevelt called the cash dole "a narcotic, a subtle destroyer of the human spirit" and declared, "I am not willing that the vitality of our people be further sapped." He called for ending the dole and replacing it with the WPA. The only exceptions were for people in the categorical aid programs, the most important of which is now AFDC for single mothers.

A couple of years after the WPA was created, Harry Hopkins, a Roosevelt aide, testified before Congress on the question of a work program versus direct cash relief. "It is my conviction," Hopkins said, "and one of the strongest convictions I hold, that the Federal Government should never return to a direct relief program. It is degrading to the individual, it destroys morale and self-respect, it results in no increase in the wealth of the community, it tends to destroy the ability of individuals to perform useful work in the future, and it tends to establish a permanent body of dependents. We should do away with direct relief for the unemployed in the United States." The New Deal was not a "give them cash" program.

Would the WPA work today? All the problems Michael Horowitz points out are real, but there are some countervailing tendencies that he ignores. It is true that all entitlements tend to grow, but taxpayers will object to paying a lot of money for a useless WPA. On the other hand, taxpayers do like receiving services, so they will demand that WPA not give people make-work jobs but jobs that actually produce an improvement in the quality of life. Much of the $50 billion cost of the program, incidentally, would go toward the check mailing Horowitz prefers, namely to provide a bigger earned income tax credit.

I agree that unions pose a serious threat to my proposal, but not an insurmountable one. The unions tried to destroy the original WPA, and in 1939 Roosevelt broke a strike over the "prevailing wage" issue. The presence of a Democratic president gives reason for optimism. Just as Nixon could go to China, Clinton could break a strike against a WPA program.

Would liberal judges prevent the imposition of work requirements? Probably not. Justice Brennan's decision in *Goldberg* has been undermined by a series of Burger and Rehnquist Court decisions. Moreover, its reasoning is circular. It says that if one has the expectation of receiving welfare, the government can't take away those benefits without a due-process hearing. But you only have expectations of a hearing if the government gives you those expectations. If we passed a WPA that did not create such expectations, but instead simply promised a job from which one could be fired, the courts would have no logical basis for saying there's a legitimate expectation of elaborate hearings. Obviously there has to be some due process, but I think judges could be stopped from creating so many procedural protections that the program would be hobbled.

Horowitz's position boils down to the proposition that because liberals have screwed up this sort of program before, it can never be made to work. This assumes that they haven't learned any lessons from their previous failures. Horowitz's knee-jerk pessimism would be more palatable if he had a better solution. But he doesn't. For example, the idea that eliminating the minimum wage will solve the problem of the underclass ignores Charles Murray's observation: The problem is not that people have no incentive to get off welfare, but that welfare enables the underclass. As long as we have welfare, many people will not take advantage of a lower minimum wage. People don't show up now for $6-an-hour jobs; how can anyone think that welfare recipients would leave the underclass to take $3-an-hour jobs?

Ultimately, I do not quite understand Michael Horowitz's position on welfare. Does he think single mothers who do not enter the labor market should continue to get cash welfare checks? First he praises Frances Perkins for wanting to "give no government money at all," explaining that the brilliance of the New Deal was that it helped only the

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"deserving" poor. Then he calls the Perkins solution "draconian" and implies that nonworking welfare mothers—"undeserving poor"—should get checks. He only insists, apparently, that they not be very big checks. Welfare checks aren't very big now—how much smaller should we make them? Would it transform the underclass if we cut welfare payments from $450 to $350, or from $600 to $500? I simply do not think this is the solution to the welfare problem.

HOROWITZ

It is not true that our current welfare system offers only modest benefits. If you add up the welfare check, the housing benefit, and the Food Stamp allowance, it comes to some $15,000 to $18,000 a year being paid to people who are not working. It is no accident that high-welfare states like New York have the biggest underclass. Lower benefits would do far more for the work ethic than Kaus supposes.

Kaus acknowledges that the courts or the unions could sabotage his program, but his discussion of why this would not happen is naïve. The fact that his workers would be told before they came on their jobs that they had no right to contest their dismissals would have little effect on the disposition of their due process claims. Expecting that activist judges would not severely curb the management discretion of bureaucrats seeking to fire underclass beneficiaries is as realistic as expecting President Clinton to break a strike of unions and their liberal allies against the use of unorganized, low-wage "scab" workers.

Kaus is wrong about the New Deal WPA and its present-day relevance. He quotes Roosevelt's attack on cash doles, without acknowledging that Roosevelt laid equal attack on "the giving of cash, of market baskets, or of a few hours of weekly work cutting grass, raking leaves, or picking up papers in the public parks." WPA was only successful when it hired unemployed workers with high job skills and an intense desire to work, people in large supply during the Depression. Today's problem is an underclass without work habits or work experience. We need a way to create a work ethic, not a system in which it is a prerequisite.

It's never glamorous to propose "less" and always romantic to offer massive government initiatives—even to solve problems which, as Kaus points out, were largely caused by massive government initiatives. In the end, however, a combination of more-modest government and, as Myron Magnet makes clear, assaults on the prevailing culture represents the best hope for progress. Reduced welfare benefits and markets able to pay unskilled workers at wages approximating their value will achieve real reform. An understanding of how the poor have suffered from the cultural elite's dismissive attitude towards self-discipline and personal accountability would also be of great value. In a like vein, this same elite should recognize that America is a blessed, opportunity-rich society, not a racist order that produces hapless victims. Such an acknowledgment would go far—much further than all the dollars Kaus would spend—to promote his very notion that a no-nonsense, no-excuse community response to underclass pathology is morally appropriate for caring people to advocate.

A renaissance of federalism could also free us from the need to have unitary solutions which have in the past proven impossible to modify once put in place. (Kaus is at his naïve worst in believing that "taxpayer demands" will cause bureaucrats to administer his program efficiently and with proper regard for enforcing the work ethic.)

The tragic flaw of Mickey Kaus's approach to welfare policy is his faith that more government will mean more, rather than less, commitment to the work ethic, which he rightly places at the center of the welfare debate. ■

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ROGER STARR

PM: New York's Highbrow Tabloid

Let's face it. People who have to read a newspaper, or, at the very least, hold one while they drink their breakfast coffee, choose their journals for different reasons. They take the *New York Times* because they respect it. Its reporters and editors, who they feel are at least as smart as they, have looked at the previous day's events and dared to inscribe their significance in black on white forever. Devotees of *New York Newsday* would miss the Brooklyn and Queens news if they were forced to read anything else. *New York Post* readers require either its ample sports coverage or Eric Breindel's editorials as other people need orange juice, and readers of the *Daily News* are watching with bated judgment to see if the new regime carries on as the last one did.

Not one of these loyalties, however, approaches the dedication that was once lavished by readers on another New York newspaper, *PM*, an afternoon tabloid published between 1940 and 1948 by a magazine genius named Ralph Ingersoll. A unique effort to revise what people had come to expect from a newspaper, *PM* took a fresh approach from first to last.

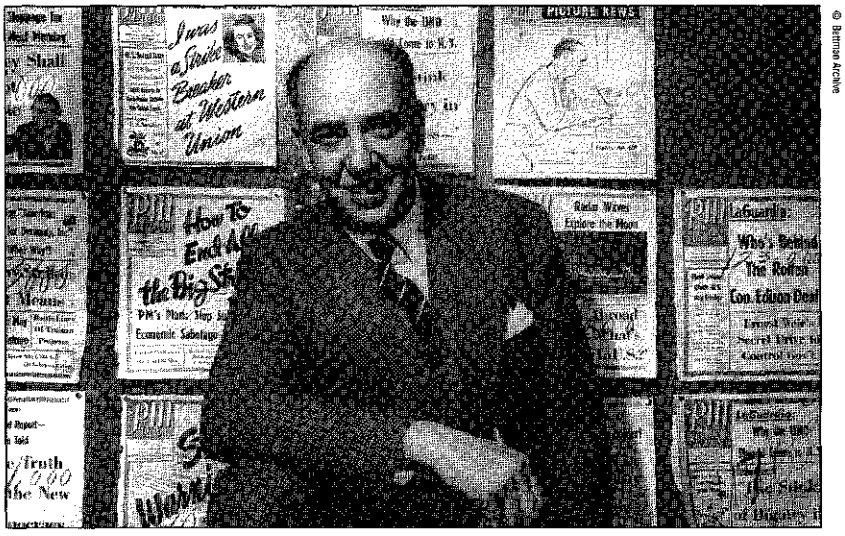
Ingersoll had conceived the idea for *PM* while managing editor of Time-Life publications, where he had come up with the editorial formula that was responsible for *Fortune* magazine's success. Approaching his fortieth birthday with the feeling that everything he was doing he had done before, Ingersoll began to ponder the functions of a daily newspaper in a world where radio (and eventually television) could deliver the facts faster. From these ruminations came *PM*.

Ingersoll, as he would explain to anyone who would listen, wanted to create a newspaper that would be free of all the clichés newspapers had embodied for several centuries. He would show that to be serious, a newspaper did not have to be solemn. Nor did it have to be an ungainly mass of large folded sheets of unbound paper that made reading it impossible while standing in a subway train and that separated family members when read at the breakfast table.

Instead of reporters who were simply trained to cast the main facts of a story in the first paragraph, Ingersoll wanted writers who could tell a story dramatically. And unlike the standard news story that aspired to a neutral tone, *PM*'s stories would make it clear where the writer's sympathies lay. Moreover, Ingersoll would give space to writers with whom he did not agree, as long as they came to their position honorably. Lest a single reader feel that advertisers' money was influencing *PM*'s choice of news coverage and tinting its editorial policies, the newspaper would carry no advertising.

Countless conferences preceded the paper's final format. It was smaller and squarer than the *News* and *Mirror* tabloids already on the street, its 32 pages stapled together along the spine to make it easier to handle. *PM* relied more heavily on photographs than existing papers—its initials stood for "photographic material" as well as for its afternoon appearance on newsstands. And its new format, which separated the news into different departments, made it easy for readers to find the news they cared about.

The front page used color and featured only one story. The *PM* logo appeared in the top left hand corner; headlines of two or three relatively minor stories might



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PM's editor and publisher Ralph Ingersoll

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appear beneath it, but the rest of the page—at least three-quarters of it—remained available for the big story. Sometimes the front page was given over to an editorial—though these did not appear in every issue, and no more than one appeared in any issue. Signed by Ralph Ingersoll and addressed to the reader, *PM*'s editorials made no attempt at achieving a judicious tone: "The Fascists Are Winning," declared one of *PM*'s front pages. "What Are You Going to Do About It?"

The war in Europe was not a serious consideration in the plans for *PM*'s publication, but by the time the paper emerged, the war had become America's crucial issue. Ingersoll had no hesitation in staking out *PM*'s position: "We are against people who push other people around," he wrote in his first editorial. He went on to say that America was in peril unless British forces could defeat Germany, and was altogether doomed if it did not supply the nations fighting Germany and Italy. No other paper stated the case so unequivocally. During that same period, for instance, cartoons in the *Daily News* showed a sinister vamp, representing war, seducing young American men with the false promise of excitement and adventure.

Although every member of *PM*'s staff was profoundly anti-Hitler, the staff was divided into two cliques: the liberals who regarded the Soviet Union as a slave state, devoid of individual rights, and the liberals who regarded the Soviet Union as a living demonstration of a truly humane society. *PM*'s readers could usually distinguish the news written by either of the two sides.

The late 1930s and the early 1940s were the years when American labor was just beginning to win the right to unionize and bargain collectively, and *PM* devoted almost six pages every day to news of the American labor front. Leo Huberman, a communist sympathizer, was editor of the labor news, and for a year and a half the paper argued that American workers were entitled to more money and better terms without worrying over whether strikes would help the fascists. But after the German invasion of Russia in July 1941, the party and its sympathizers in the press put labor's problems on the back shelf, and urged full production to give the Russians some relief.

To make up for the lack of advertising and give its readers information about sales on everything from coats and underwear to string beans and porterhouse steak (33 cents a pound in 1941), at least four pages of each issue were devoted to consumer items. It was generally acknowledged that *PM*

PM
5 cents
NEW YORK DAILY
Vol. 1 No. 1
New York, Tuesday, June 18, 1940
Mostly cloudy, little change in temperature. Moderate south winds.
TODAY'S SECTIONS
FOREIGN . . 2
NATIONAL . 7
NEW YORK . 10
LABOR . . . 15
BUSINESS . . 15
OPINION . . 15
THE PRESS . 16
THEATER . . 20
MOVIES . . . 21
RADIO 22
LIVING 25
FOOD 27
ADV. DIGEST 28
SPORTS . . . 30
THE DAY'S NEWS BY RADIO
Hitler Joins Mussolini in Munich
Page 2
Dictators Confer Today on Price They Propose to Exact for Stopping Destruction of France . . . Unconditional Surrender Reported Only Basis for Negotiations . . . Churchill in Commons Criticizes French
The 85,500-ton liner Queen Elizabeth refueled and could sail today for Halifax. But Cunard officials, making mysteries, deny she will sail, won't explain refueling.
Courtesy of Seymour Durst
Premier issue of *PM*, June 18, 1940

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had the best radio listings in New York—two pages in every weekday issue. The double issue on Sunday (*PM* did not publish on Saturday) was replete with photographs, many by Weegee, a remarkable candid photographer with great feeling for the city and especially its people. *PM*'s maps, illustrating military movements, were extremely good. Its sports section headlined two of the city's best sports writers, Tom Meany and Tom O'Reilly. George F. T. Ryall covered horse racing. Louis Kronenberger, whom many considered the best critic in the city, covered the theater. Elizabeth Hawes, a fashion designer, wrote on fashion; her sister, Charlotte Adams, covered food.

Ingersoll tried very hard to put together a writing staff whose members had established reputations in the world of books. At one time or another articles appeared in *PM* by Erskine Caldwell; McGeorge Bundy, whose work appeared soon after his graduation from college; James Wechsler, who ultimately became the paper's editorialist; Penn Kimball, later dean of the Columbia University School of Journalism; Heywood Hale Broun; James Thurber; Dorothy Parker; Ernest Hemingway; I. F. Stone; Eugene Lyons, a onetime communist who devoted himself to exposing communists; Ben Stolberg; and Malcolm Cowley, who wrote a serious attack on the lack of class consciousness in Kronenberger's reviews. Ben Hecht wrote a more or less regular column that purported to be about New York, but was mainly about the colorful and interesting personalities he encountered.

PM's weakest section was its New York City coverage. Ingersoll could not compete with newspapers like the *Herald-Tribune* and the *Times* that had much bigger staffs. *PM* had to rely mostly on United Press wire copy for its coverage of New York. As the foreign situation deteriorated, however, and the prospect of American participation in the war became clearer, local news became less important.

The second anniversary of *PM*'s publication was probably the high point of its existence. Congratulatory messages poured in from those who supported its policies and coverage of the war. The newspaper printed two pages of messages from President Roosevelt and other eminent people.

Unfortunately, Ingersoll also received a message from his draft board: despite his 41 years, he was being called up for service. Ingersoll strongly suspected that some of the people who did not like *PM*'s editorial positions were behind the draft board's action. Nonetheless, finding himself in the awkward position of having urged other people to fight, he refused to ask for a deferment. He was drafted, and thus began a remarkable military career that formed the basis for several books he wrote after the war.

If publishing *PM* without Ralph Ingersoll was difficult, it was no harder than publishing it without enough money. *PM*'s original financial plan had been disastrously inadequate. Initially, Ingersoll had calculated that he would need $10 million to keep *PM* going until it developed a readership large enough to sustain it. (Unfortunately, that never happened; circulation hovered between 100,000 and 200,000 throughout the paper's existence.) But the investment bankers to whom he brought his prospectus told him that no one would put $10 million in an untried publication that carried no advertisements.

Ingersoll reduced his capital requirement to $5 million, a concession that failed to impress the investment bankers. In fact, he had only managed to raise $1.5 million

From the collection of Roy Hoopes

A meeting of PM's stockholders in the early 1940's. Front row (from left to right), William Benton, Harry Cushing, Nathan Levin, Louis Weiss, Marion Rosenwald Stern, Harold Linder, Garrard Winston; back row (from left to right), John Loeb, Chester Bowles, Harry Scherman, Eleanor Gimbel, Marshall Field, unidentified, Jock Whitney, Ralph Ingersoll

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From the collection of Roy Hoopes

Marshall Field III, whose massive financial support kept PM afloat for eight years, with Ralph Ingersoll

when he hired his first people and started looking for a printing plant and office space. The original investors included some of the outstanding figures in the small circle of wealthy Americans who supported liberal causes, and were sufficiently well-off to face with equanimity the prospect of losing sums of $10,000 to $200,000.

As early as September 1940, barely three months after the publication of the first issue, it was clear that the paper had used up the entire $1.5 million in capital it had received from investors, newsstand purchasers, and subscribers. To make matters worse, more than 100,000 subscription cards that had been mailed in as a result of a pre-publication campaign were lost in the tangle of *PM*'s office; whether through carelessness or malevolence, no one ever found out. To keep *PM* going past September 1940, management had to defer all payments to the paper's worried and impatient creditors.

It was Marshall Field III, described at a younger age as "the world's richest boy," who stepped forward and volunteered to don the hair shirt of a guardian angel. For the next eight years, during most of which time the world was at war, Field continued to help *PM* survive, while hardly ever suggesting changes.

At that time, very rich Americans tended to favor solid institutions: colleges and universities, long-established organizations that tried to assist the poor and disabled, or cultural institutions, such as museums and orchestras. Field, however, was determined to use his money in ways that would broaden his own life as well as give aid to people who were not admitted to the American mainstream. He established a Citizens Committee for Children in New York and the Field Foundation for helping the poor, especially blacks. But even for Field, financing as a silent partner a newspaper that consistently lost money seemed a peculiar choice. It was probably the very peculiarity of such a choice, which distinguished him from his peers, that appealed to him.

When Ingersoll returned to New York after the war and had a chance to catch up on what his newspaper had been doing, he found himself extremely disappointed. The *PM* he read was not the *PM* he had imagined. It was not as lively and well-written as he had expected, and now that the war no longer provided a common enemy, the editorial split between the procommunist and anticommunist liberals was creating confusion.

Meanwhile, Marshall Field had come to the end of his patience and insisted that *PM* accept advertising. Ingersoll realized that the days of running the paper his way were over, and severed his connection with the newspaper. Field continued to carry *PM* for another two years, although he had become more interested in publishing the *Chicago Sun*. He eventually turned the paper over to two experienced journalists who changed the name to the *Star*. But even with advertising, the paper continued to lose money and lasted only nine more months. The rest is silence.

Though 45 years have passed since the end of the war, a dwindling band of *PM*'s faithful subscribers would surely be delighted to greet the start of a newspaper founded on Ralph Ingersoll's initial resolutions: no advertising, a clear editorial policy forcefully expressed, hospitality toward an opposing point of view candidly revealed, columnists and occasional contributors noted for their knowledge and writing skill, great photographs, and staples to hold the newspaper together and make for easy reading on the subway or at the dining table. ■

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WITOLD RYBCZYNSKI

Alexis de Tocqueville, Urban Critic

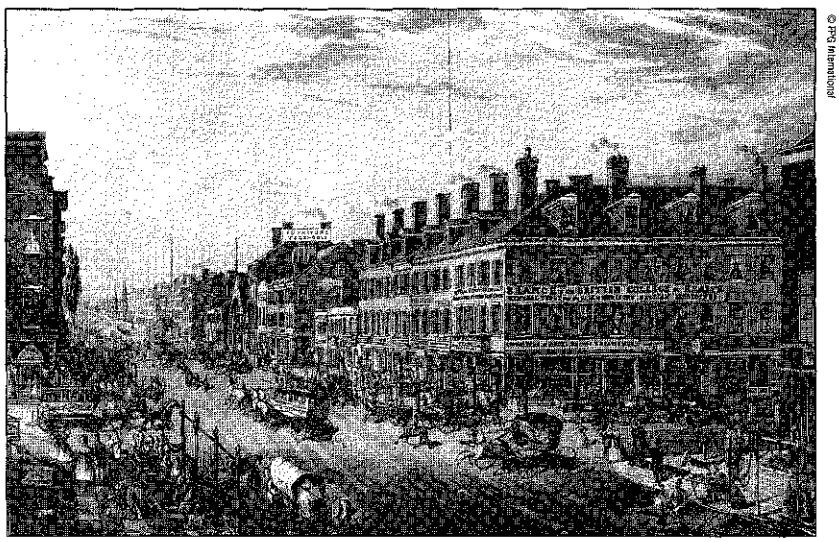
Alexis de Tocqueville is celebrated for his classic study of American civilization at the beginning of the nineteenth century. The author of *Democracy in America* was only 25 when he visited the United States, but he had a wide-ranging intellect, a keen sense of observation, and a journalist's knack for eliciting the opinion of others. Consequently, one can pick almost any subject—slavery, religion, education—and find that he had something interesting to say about it. It is hardly surprising, then, to discover that Tocqueville, the political scientist and comparative sociologist, was also an urban critic.

Tocqueville and his friend and traveling companion, Gustave de Beaumont, disembarked on May 9, 1831, in Newport, Rhode Island. Tocqueville found the harbor town "very attractive" (it still is), and wrote to his mother that Newport was "distinguished by a cleanness that is a pleasure to see and that we have no conception of in France." (Today it is Paris that surprises Americans by its tidiness.) It is Tocqueville's letters and the 14 notebooks that he kept during his travels, more than his famous book, that are the best source for his opinions about American cities and towns.

In general, he was impressed by small towns. While traveling through Massachusetts, he recorded: "Almost all the houses are charming (especially in the villages), and there prevails a height of cleanliness which is something astonishing." It was not only the architecture that impressed him. Tocqueville considered the New England town an exemplary democratic institution, since it involved a large number of citizens in managing their own affairs; he called the town "the ultimate *individual* [emphasis in original] in the American system." He was also astute enough to observe that the political independence of these small communities lay in what he called their municipal spirit. "Americans love their towns," he wrote, "for much the same reasons that highlanders love their mountains. In both cases the native land has emphatic and peculiar features; it has more pronounced physiognomy than is found elsewhere." Here, more than a century before Capra's *It's a Wonderful Life*, is clear evidence of the widely held American affection for the small town.

Most New England towns remained small—they rarely had more than two thousand residents, which undoubtedly facilitated their self-government. But such small settlements were no longer typical of the United States. A very different sort of town was coming into being in the American interior—the boom town. Tocqueville passed through a number of such places: Rochester, whose population had increased from 150 to 15,000 in only a decade; Memphis, only four years old but already a busy cotton port; and Louisville, where a local merchant proudly told him that the town had grown from 3,000 inhabitants to 13,000 in only seven years. But the fastest-growing inland river port was Cincinnati, where Tocqueville and Beaumont spent three days in December 1831.

When Tocqueville arrived, Cincinnati was only 43 years old, but thanks to the opening up of the Ohio to steamboat traffic in 1816, it was a busy city of about thirty thousand people. "Cincinnati presents an odd spectacle," he recorded in his notebook. "A town which



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View of Broadway at Canal Street, New York City, 1836

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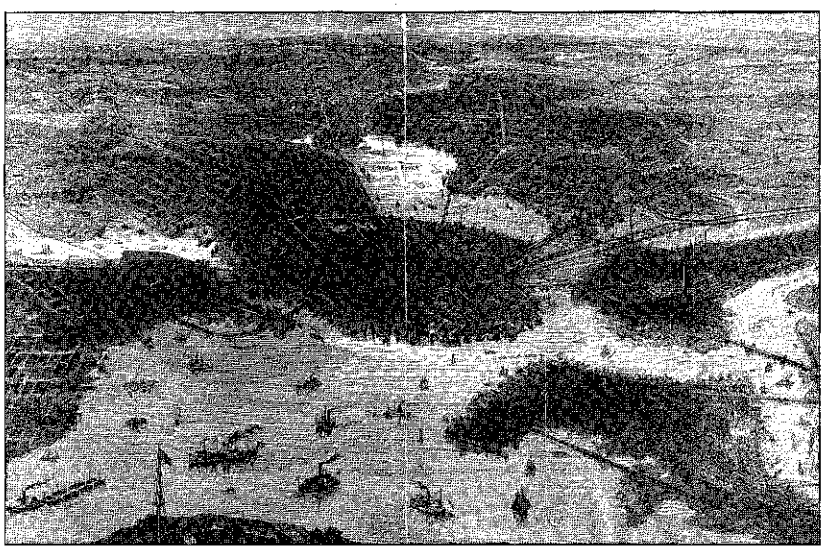
seems to want to get built too quickly to have things done in order. Large buildings, huts, streets blocked by rubble, houses under construction; no names to the streets, no numbers on the houses, no external luxury, but a picture of industry and work that strikes one at every step." Tocqueville's reservations are understandable; the town had little in the way of civic refinement. A regular grid of intersecting streets divided the land into square blocks and demonstrated no regard for topography or for the great river. It is not surprising that the founders of the city wasted no effort on niceties of urban design; they were property developers and, like most nineteenth-century American towns, Cincinnati was founded strictly as a real-estate venture.

Tocqueville and Beaumont spent slightly less than nine months in North America (they also went to Canada), and they visited all the major eastern seaboard cities—New York, Philadelphia, Boston, Baltimore, Montreal—although they missed those two attractive southern colonial towns, Charleston and Savannah. Montreal reminded Tocqueville of an ugly French provincial town, but he liked Boston—"a pretty town in a picturesque site on several hills in the middle of the waters." Boston, unlike Cincinnati, had created a civic waterfront (the only American city to do so), shortly before Tocqueville's visit—Quincy Market, which opened in 1825. The Massachusetts city was the cultural center of the United States; it was, for example, the heart of the Greek Revival that was sweeping the nation. The young French aristocrat (Tocqueville was technically a baron, although he refused to use the title) appreciated Boston society, which he compared favorably to the upper classes in Europe. "One feels one has escaped from those commercial habits and that money-conscious spirit which makes New York society so vulgar," he wrote in a letter.

Tocqueville spent a total of two months in New York, since it was the base from which he and Beaumont set out on their several trips, but he never warmed to the city. In a letter to his friend, Ernest de Chabrol, he described the island site of New York as "admirable," but complained about the lack of noteworthy public monuments and added that "it does not resemble in the least our principal cities in Europe." "To a Frenchman the aspect of the city is bizarre and not very agreeable," he wrote to his mother. "One sees neither dome, nor bell tower, nor great edifice, with the result that one has the constant impression of being in a suburb. In its center the city is built of brick, which gives it a most monotonous appearance. The houses have neither cornices, nor balustrades, nor portes cochères." The only good thing he found to say about New York was that although the streets were badly paved, all had sidewalks.

Was it really that dismal? Probably. Large sections of New York had been destroyed during the British occupation by two disastrous fires, the population shrank to as few as ten thousand people immediately after the War of Independence, and the economy did not revive until about 1790. So what Tocqueville saw was a newly growing, newly built city; that, and the lack of an architectural heritage, would have given it a makeshift air. The monotony that he comments on was also the result of the Commissioner's Plan of 1811, which divided almost the entire island of Manhattan north of Washington Square into a regular gridiron consisting of 155 cross-streets at two-hundred-foot intervals, crossed by a dozen north-south avenues more than seven



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Bird's-eye view of Boston, circa 1830

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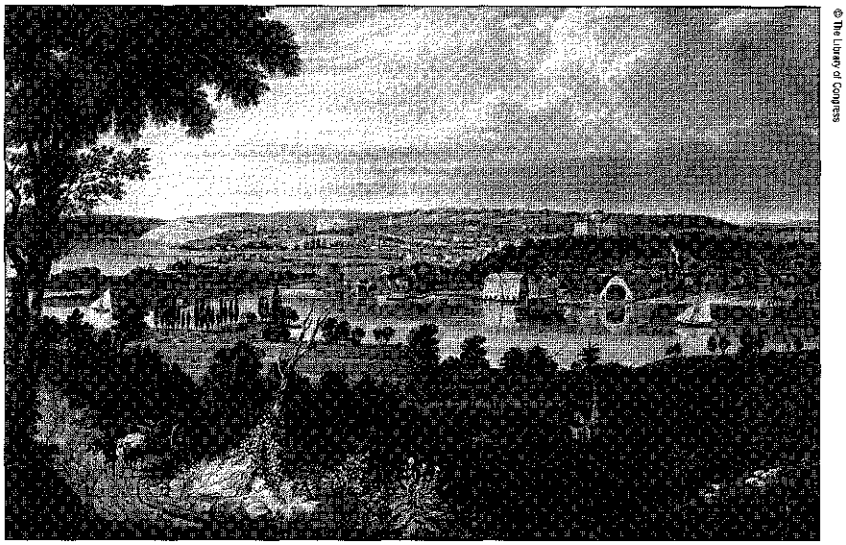
miles long. The blocks were divided into 25-by-100-foot plots. It was a real estate agent's dream, but it was not much more than that.

In 1811, when New York had fewer than 50,000 people, laying out such a vast gridiron must have appeared hopelessly optimistic. Even twenty years later, when Tocqueville stayed there, though the city had mushroomed to over 200,000, less than a third of the grid was filled in. Two hundred thousand does not sound like a major city today—it is smaller than Anchorage, Alaska—but in the beginning of the nineteenth century it signified an important city the size of Amsterdam, Vienna, or Berlin.

One should not imagine New York as a smaller, more livable version of today's metropolitan behemoth. This was a premodern city that lacked most of the urban technologies we take for granted. There were no underground sewers to carry off household wastewater, for example. The fecal matter of 200,000 people was either collected by night-soil scavengers and carted to the countryside to be used as fertilizer, or



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Washington, D.C., circa 1830

deposited into pits and cesspools; kitchen slops were dumped into the street. Since there was no municipal water supply, backyard wells were easily contaminated. It is little wonder that the first cholera epidemic in the United States broke out in New York, in 1832. As Tocqueville noted, most streets were unpaved. The mud was mixed with horse manure and domestic refuse was scattered everywhere, for there was no garbage collection—which is why modern Manhattan streets are typically 6 to 17 feet higher than their original levels.

Altogether, urban life was uncomfortable and unhealthy—and dangerous. What seems to have struck Tocqueville most about the largest cities like New York and Philadelphia was the presence of a turbulent urban lower class, which he described as consisting of freed black slaves ("condemned by law and opinion to a hereditary state of degradation and wretchedness"), and poor immigrants, whom he considered to be motivated by self-interest rather than by citizenship. The urban rabble was a common feature of European cities and would hardly have surprised Tocqueville, but he foresaw (more or less correctly) that in a democracy, the large size of American cities and the volatile nature of the urban underclass (although he did not call it that) would eventually threaten republican institutions. He also predicted that the government would be obliged to create an armed force to suppress the excesses of the mob, which had already instigated serious riots in both New York and Philadelphia. He was right about that, too: in 1833 Philadelphia formed its first regular daytime police force, and 11 years later, New York followed suit.

It is understandable that a native Parisian was not impressed by unruly, mercenary New York. There was another American city, however, that might have elicited a more favorable opinion—Washington. After all, it was planned by Tocqueville's countryman, Pierre Charles L'Enfant, and

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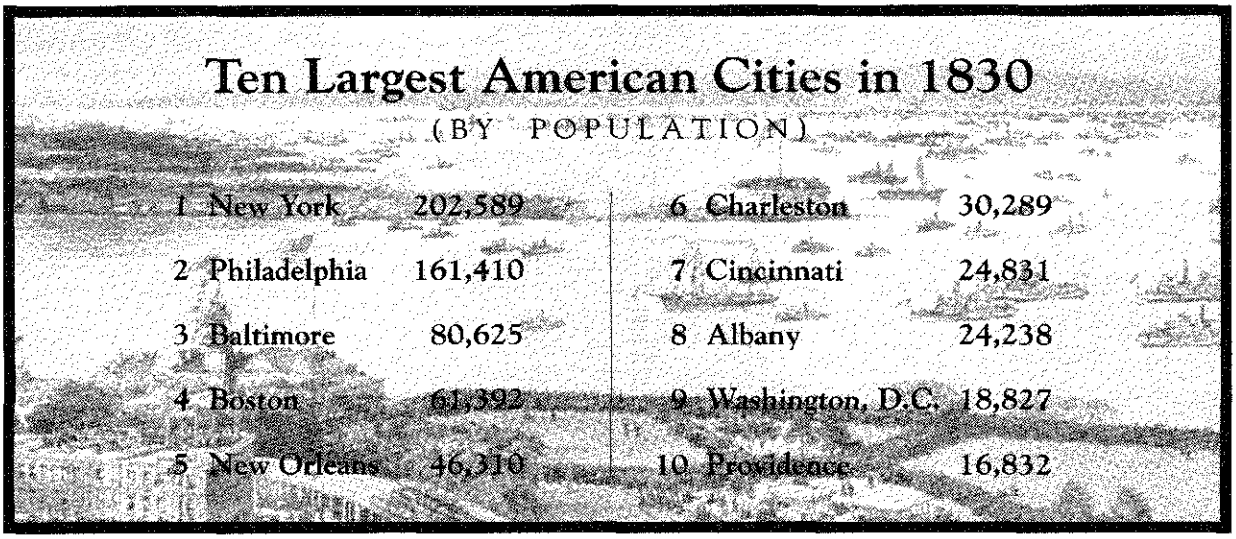
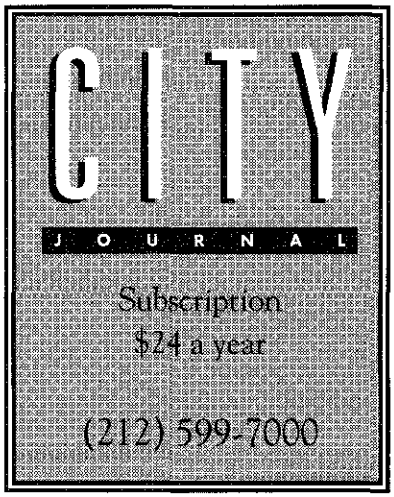


Source: U.S. Census Bureau

was intended to be a leading example of civic beauty. L'Enfant was an architect and engineer, and his plan incorporated such Baroque-inspired devices as broad diagonal avenues, civic squares, and monumental vistas. It was a visionary scheme that dwarfed anything being built in Europe, including even Peter the Great's St. Petersburg, then taking shape on the Neva.

When Tocqueville and Beaumont visited Washington—they spent about two weeks meeting public officials and consulting government archives—the city was forty years old, but lacking a good port and commerce, it was growing slowly and held only about twenty thousand people. Since there was no indication in L'Enfant's plan of how the city might expand in phases, construction was taking place in a scattershot fashion, with groups of houses here and there; it gave the impression, according to Tocqueville, of a town composed of five or six villages. Compared to the carefully drafted plans made first by L'Enfant and later by the surveyor Andrew Ellicott, the reality was almost comical. The mile-long mall was used as a cow pasture; the ronds-points scattered throughout the city, which were to commemorate the states of the Union, were planted with vegetables. The monumental avenues (130 to 160 feet wide) that L'Enfant had created to link important sites were there all right, but they were flanked not by buildings but by virgin forest or raw earth; the White House and the Capitol stood in forlorn splendor. There is disbelief in Tocqueville's voice when he notes that "they have already rooted up trees for ten miles around, lest they should get in the way of the future citizens of this imagined capital." In fact, the imagined capital would be splendidly realized (thanks to the 1901 McMillan Commission), and the future citizens of Washington would spread out far beyond ten miles around, but that was in a future that even the prescient Frenchman could not foresee. ■



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FRANCIS MORRONE

The New Irish

The 16,000 residents of Norwood, a middle-class community in the north central Bronx, can boast of many amenities: the visual delights of a hilly topography, vast sylvan expanses, two municipal golf courses within easy walking distance in Van Cortlandt Park, Montefiore Medical Center, and the New York Botanical Garden. The people of Norwood can also boast of the city's most dense concentration of Irish bars. Bainbridge Avenue, where most of the bars are located, is the center of the young Irish community that has unexpectedly arrived in New York over the last decade.

The new Irish are making their presence felt. The clash between their political and social attitudes and those of traditional Irish-Americans was evident in the recent controversy over the St. Patrick's Day parade. And their cultural influence extends beyond the Irish community. In the purlieus of downtown chic, the young Irish are hot. *The* movie of last year was Neil Jordan's *The Crying Game*; its preoccupations and aesthetics are those of the young New York Irish. Irish-born Karl Geary, whose cavorts with Madonna in her book *Sex*, is co-owner of Sin-é Cafe, an East Village hangout for hip Irish where Sinead O'Connor, the anti-papist pop chanteuse who is immensely popular with the young Irish, can occasionally be seen. And Irish rock-and-roll bands are disproportionately represented not only in the bars of Bainbridge, where one would expect to find them, but also in the trendiest Manhattan clubs.

Throughout its history New York has had a large Irish-American population. Ireland's great famine emigration took place from 1846 to 1850; by 1855, there were about 176,000 Irish-born New Yorkers. That amounted to 28 percent of the city's population, a figure not matched since by any nationality. (By comparison, the highest estimate of today's Irish-born population, legal and illegal, comes to about one-half of one percent of the city's population, or about 35,000.) In 1890, 410,000 New Yorkers, or about a quarter of the city's population, were of Irish parentage.

© New York Times Photo Service

Irish specialty store, Third Avenue, Manhattan

Early Irish-Americans experienced extreme ethnic discrimination and horrific living and working conditions that led many to embrace Irish nationalism as "a system of apologetics that explained their lowly state," in the words of historian Thomas N. Brown. From its beginning, Sinn Fein, the Irish political party most closely associated with the violently nationalist Irish Republican Army (IRA), could not have existed—financially or philosophically—without its American base. New York Irish, and in particular a secret organization called Clan na Gael (which today holds its meetings at the Tower View Ballroom in Woodside, Queens), actively promoted the Easter rising of 1916. The Irish revolutionary leader Eamon da Valera, in fact, was born in New York.

With eventual Irish success in America—described by economist Thomas Sowell as "one of the great social transformations of a people"—Irish nationalism ebbed, displaced in large measure by American patriotism. The American Irish urban type, exemplified by James Cagney, came to be seen around the world as quintessentially American. Irish prowess in the American military led to the expression "Fighting Irish," which in turn became the sobriquet of the mighty Notre Dame football team—today as all-American as that German import, apple pie. The Irish were at the forefront of the anti-Communist movement, and, after decades in which they had all but taken over the Democratic Party, began to vote Republican. It is seldom noted that in the 1960 presidential election, John F. Kennedy received only a bare majority of the New York Irish vote.

Irish immigration had already slowed to a trickle by the time of the Immigration Reform Act of 1965, which severely limited immigration from Europe in favor of Asia and Latin America. Nineteen sixty-five was also the year of the landmark Anglo-Irish Free Trade

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Agreement; eight years later, Ireland was admitted to the Common Market. The opening of new markets to Irish goods led to the modernization of the Irish economy during the 1960s and 1970s. From 1971 to 1981, Ireland actually had a net in-migration of over 100,000 people. But by establishing a full-scale welfare state while its economy was still shaky, Ireland depleted its economic gains shortly after achieving them. By the 1980s, the economy was again teetering. In 1983, unemployment was nearly 16 percent, with 200,000 Irish out of work. By 1987, 30,000 Irish were emigrating each year, mainly to England, West Germany, and the United States. Having arrived with limited tourist visas, 150,000 to 200,000 undocumented Irish were estimated to be living in the United States in 1990, about one-third of them in the New York area.

These new Irish are young and far better educated than previous immigrant generations. They are often bitter at having to accept "off-the-books" jobs, for which they are clearly overqualified, owing to their undocumented status. Indeed, in spite of their superior education, their occupations are not very different from those of earlier Irish immigrants. Men often have jobs in the construction industry; the women are domestic workers and waitresses. As one Queens Irishman told the *New York Times*, "This was to be Ireland's generation of hope. The first to be so well educated, they were to lead Ireland into the next century. But they're all leaving, and there's nothing certain for them here."

In the great tradition of Irish political organizing, the Irish Immigration Reform Movement was started in New York in 1987 to lobby for the legalization of the new Irish immigrants. Representative Bruce Morrison (D-Connecticut), chairman of the House Immigration Subcommittee, sponsored the 1990 Immigration Reform Act, which created the Morrison Visa Lottery. Under this program, limited numbers of green cards are issued by lottery to citizens of countries from which immigration is believed to have been too severely restricted since the 1965 Immigration Reform Act. Forty percent of the visas are set aside for the Irish, who were the principal campaigners for the new legislation. Four years of Morrison visas appear to have legalized a substantial percentage of the 1980s Irish immigrant wave.

The current wave of Irish immigration has been going on for just over a decade, and has transformed whole neighborhoods, including Norwood and Woodlawn in the Bronx and Woodside in Queens. These neighborhoods had long had large Irish-American populations, but were well en route to the ends of their population life cycles. The influx of young Irish confounded the standard ecological model of neighborhood change, since such an interregnum of several generations in the immigration of a particular group is virtually unprecedented in New York's history. Commercial strips, such as those on Bainbridge Avenue in Norwood and Roosevelt Avenue in Woodside, had long been noted for Irish bars, but their number had been dwindling until the new Irish influx. These strips have been rejuvenated, though the sweet melancholy strains of "Danny Boy" have been replaced by rock and roll.

In many respects, however, the new immigrants are unlike their Irish-American neighbors and their immigrant forebears. Whereas American-born Irish have become quintessentially American, the new Irish hearken back to an older tradition of resentment and nationalism. Well-educated, they bring with them the intellectual fashions popular on European university campuses. It is generally conceded both within and outside the church that the new Irish immigrants are basically irreligious, even antireligious.

Economics is only part of the explanation for the emigration of young Irish. In particular, some young women, influenced by the Irish feminist movement, have left their homeland in recent years because of its strict abortion and divorce laws. Similar "lifestyle" reasons account for the emigration of many men as well. "People want to get out of Ireland to be independent . . . to have space and independence away from [their] culture, away from the 'valley of the squinting windows' kind of thing,"

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says an Irish-born immigration counselor in Boston. "For a lot it means sexual freedom."

The young New York Irish are also fiercely nationalistic. New York's Irish papers, which exhibit a peculiarly Celtic mixture of blarney and bloodthirstiness, are filled with news of Irish "political prisoners" in U.S. jails. Invariably portrayed as fine, upstanding, God-fearing souls, these prisoners—mostly gun-runners—are said to be victims of the "special relationship" between Britain and the United States. One marvels at the sheer number of allegations of unjustly imprisoned Irishmen in this country. References abound to groups with names like the Tucson Six and the Boston Three. (One of these groups, by the way, is accused of assisting the IRA in developing surface-to-air missile technology.) In the wake of the worldwide condemnation of the recent IRA bombing in Warrington, England, in which two young British boys were killed, the letters columns of the New York Irish weeklies were flooded with indignant assertions of moral equivalency between the Warrington bombing and any number of historic atrocities perpetrated against the Irish people by England.

The differences between the new Irish-born New Yorkers and the older Irish-Americans came to a head in the recent controversy over the St. Patrick's Day parade. The demand by young Irish leaders that homosexuals be allowed to march under the banner of the Irish Lesbian and Gay Organization was not only an attack on the religious beliefs of traditional Irish-Americans. It also represented an attempt by Irish activists to form an alliance with New York's gays in order to enlist their support in the cause of Irish nationalism.

Until recently, there had been a consensus among Irish-Americans rejecting militant nationalism. There was a considerable uproar in 1983 when Michael Flannery was chosen to be grand marshal of the St. Patrick's Day Parade. As a young man Flannery had fought for the IRA and was leader of Noraid, the American fund-raising arm of Sinn Fein and the IRA. Senator Daniel Patrick Moynihan and Governor Hugh Carey, both Irish-Americans with deep roots in the community, denounced the selection and boycotted the parade. Archbishop Terence Cardinal Cooke did not make his traditional appearance on the steps of St. Patrick's Cathedral until Flannery had left.

But during the 1980s, the tone of Irish New York began to change. In 1991, a faction within the Ancient Order of Hibernians, the parade's sponsor, invited the Irish Lesbian and Gay Organization to march as its guest in the St. Patrick's Day parade. To show his support for gay rights, Mayor Dinkins marched with the group and had a beer can famously tossed at him. More than gay rights were at stake, however. Fordham University historian John P. McCarthy has written that efforts on behalf of the gay organization were the means by which "a group of political activists hoped to gain control of this celebration of the Irish-American Catholic heritage and turn it into a militant political statement on Northern Ireland." The activists hoped that the city, in an effort to protect homosexuals from discrimination, would turn control of the parade over to them. This was, in fact, what almost happened.

Late in 1992, the Ancient Order of Hibernians said it would defy the city's Human Rights Commission, which had ordered that the Irish Lesbian and Gay Organization be allowed to march in the 1993 parade. The city took the parade permit away from the Hibernians and gave it to a new group, the St. Patrick's Day Parade Committee, whose top brass included Noraid leader Martin Galvin and former New York City Council President Paul O'Dwyer. The media gave scant attention to the committee's avowal that it intended to use the parade to make a statement about the political situation in Northern Ireland. Federal District Judge Kevin Thomas Duffy, however, eventually overruled the city on First Amendment grounds, and ordered the parade permit returned to the Hibernians.

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The themes of nationalism and personal freedom are evident in Irish-American rock music, which is in tremendous vogue, having attained something of the cultural prestige of rap. Perhaps the chief exemplar of the new Irish-American rock is a hypertensive Bronx pub band called Black 47. The band, whose name refers to the famine year of 1847, laces its music with traditional Irish instrumentation—uilleann pipes, tin whistle, and bodhran—and snatches of traditional Irish melodies. Its unique sound, instantly identifiable as Irish, has become one of the hippest styles on the rock scene. In a cramped, smoke-filled New York Irish bar, the violent, over-amplified rhythms of Black 47 have an emotion-twisting power.

Then there are the lyrics. In "Funky Ceili (Bridie's Song)," the narrator, who left Ireland for New York after getting his girlfriend pregnant, addresses her across the Atlantic:

So here I am up on Bainbridge Avenue
Still in one piece but glad I'm alive
Drinkin' dirty big glasses of porter
Playin' me jigs and me reels and me slides
Think of you, Bridie, whenever I'm sober
Which isn't too often, I have to confess
Take good care of the Morris Minor
Bad luck to your Da and give the baby a great big kiss—
from his Daddy in the Bronx.

Another song on Black 47's new CD is a paean to the Irish revolutionary James Connolly:

So hold on to your rifles, boys, and don't give up your dream—
Of a Republic for the workin' class and economic liberty.

The crescendo is reached in the band's eponymous theme song:

God's curse upon you Lord Trevelyan
May your great Queen Victoria rot in hell
'Til England and its Empire answer under heaven
For the crimes they committed in Black '47

By this point, if someone in the bar identified himself as an Englishman, the crowd would tear him limb from limb. In the annals of Irish popular music, we have come a long way from the Clancy Brothers.

What of the future for New York's angry young Irish? Though they are well-educated and English-speaking, they seem to possess far less enthusiasm for any consensually defined American way of life than do most Third World immigrants. Indeed, many say they will gladly return to their homeland if the Irish economy improves and traditional restraints on personal behavior are relaxed.

On the other hand, once they have their green cards, the new immigrants are able to go after better jobs, and they face none of the discrimination with which the Irish of the previous century had to contend. Indeed, in this image-conscious city, one should not discount the undeniable charm of the characteristic Irish open face and lilting brogue. The harsh youth culture that characterizes New York's new Irish is likely to mellow somewhat as they take on the responsibilities of family and career. Some may yet follow in the path of their predecessors. ■

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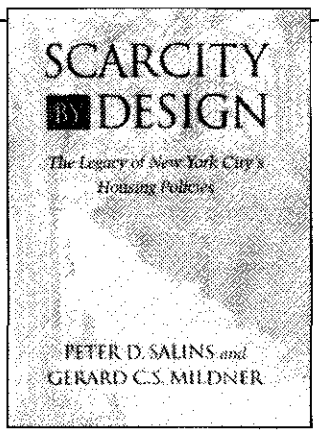

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The Legacy of New York City's Housing Policies

Peter D. Salins and Gerard C. S. Mildner

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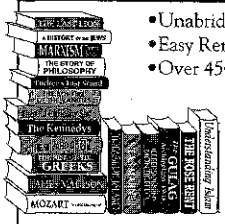

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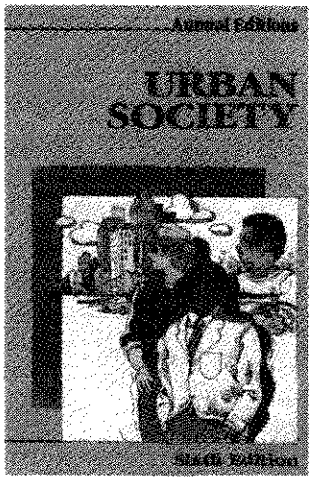

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ROBERT BENDINER

It's All Happening at the Zoo

At a time when New York, like most other cities, is a bit down at the heels, its zoos are blossoming into a complex of interrelated animal parks unique in the world. What once were three shabby zoos will be, when the last one opens this year, three freshly conceived and beautifully designed units in a system run by the New York Zoological Society, a private membership agency that long ago brought the Bronx Zoo to top ranking in the zoological world. No longer are Manhattan's Central Park Zoo and those of Brooklyn and Queens wards of the city, subject to the vagaries of its political and budgetary fortunes.

Over the years since New Yorkers acquired the first of these three zoos, their story has not been altogether pretty. For a century Central Park's zoo, which opened in 1864, was hardly more than a bare menagerie, with scruffy animals in barred cages hardly big enough for pacing.

As the years passed, however, whole new concepts of what a zoo should be began to take root elsewhere, for the most part after World War II, when Europe's destroyed zoos had to be built from scratch. Universities and societies sent trained scientists into the wilds to study the ways and needs of animals in their natural habitats.

Their findings called into question antiquated ideas about zoos. The public, newly conscious of the dangers of extinction in the wild and cruelty in captivity, organized movements for legislative reform. Advocates brought lawsuits challenging the mistreatment of animals. Newspaper editorials agitated for closing down the "Bastilles."

This was the state of affairs in the 1980s, when Edward Koch, a zoo buff himself, was mayor of New York. To check the flood of increasing hostility to zoos the city had three choices: to close them down; to spend huge sums to redo them entirely and operate them at a much higher level; or to transfer their rehabilitation and care to an outside agency with the experience and know-how for the job and the talent for raising large sums of money. The obvious candidate for the job—available, ready, and willing, if not altogether eager—was the New York Zoological Society, directed by Dr. William Conway, likewise the presiding genius of the Bronx Zoo.

If Dr. Conway was less than eager, it was only because he could not agree to take on a burden of such dimensions unless assured of major financial help from the city, along with complete freedom to plan and operate. Otherwise, he might well be swamped and drag the enormously successful Bronx Zoo down with him.

An agreement regarding the takeover of Central Park's zoo was ultimately signed by Dr. Conway and Mayor Koch in the fall of 1981. The negotiations required skill and patience, for which Conway credits Gordon Davis, then commissioner of parks: "He was the point man. Without him it wouldn't have happened."

By and large the agreement called for New York to put up half the cost of the zoo's renovation,

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approximately $40 million, with the remaining half left for the Society to raise from its star list of benefactors, funds, and foundations. Admissions and food sales would be kept by the zoos. (There had been no admission fee before at the city zoos and a modest one at the Bronx Zoo. Adults now pay $2.50 and $5.75 respectively—not counting special rates for children and weekly free days—still modest compared with prices at other major zoos.) The city agreed to make up any operating deficits, which, it was felt, would not get out of hand because the city would have to approve the annual budget to begin with.

The two other zoos required separate contracts; the outlay for their rehabilitation was to be on a more modest scale but high enough to assure their becoming similarly attractive segments of a carefully planned complex. For that design New York can be grateful not only for the concepts of Dr. Conway but for the imaginative, detailed planning of Richard Lattis, formerly educational director of the Bronx Zoo and now chief of the three transformed city zoos. As for the Society itself, its jurisdiction now extends to the four zoos and one aquarium in New York, a Wildlife Survival Center off the coast of Georgia, and scores of conservation projects around the world.

From the start of negotiations with the Koch administration, Dr. Conway and his colleagues envisioned wiping out the old city zoos as they were. Strongly opposed to the concept of animal parks as menageries, they did not even accept the idea that zoos should be planned primarily as entertainment, though that would always have to be a major component. The purposes of the new parks, as Conway later described them in a statement, are these: "We protect, we propagate, we advise, we advocate, we teach, we study, we inspire." To fit the three old city zoos into this pattern of lofty intentions, and at the same time make them visually delightful, would require starting from scratch—nothing less.

That is exactly what was intended, and it would take Manhattan's zoo a long way from the days when it kept hoofed animals that in nature lived in groups and ran long distances housed alone in small enclosures, and big carnivores in cages so small they could barely turn around, much less behave as they would in the wild. Specifically, Central Park's new design called for removing all the elephants, lions, tigers—almost all the animals associated with zoos in the public mind—and replacing them with creatures well adapted to life in the zoo's five-and-a-half acres.

Physically, Central Park's zoo now presents a rectangular pattern, with climatic "zones" arranged around the rim. A large garden in the center encloses the sea lion pool, and attractive shrubs are planted everywhere, even around the few tidy gift shops, cafe, and administration buildings.

In the Tropical Zone, at the southwest corner, a two-level skylit construction presents a slice of forest, complete with waterfall and brilliant tropical birds, colobus monkeys, fascinating golden-haired lion tamarins, emerald green poison-arrow frogs, and much more, including a colony of leaf-cutter ants. The insects can be viewed directly or on closed-circuit television, which shows the swarm in action greatly magnified. Piranha

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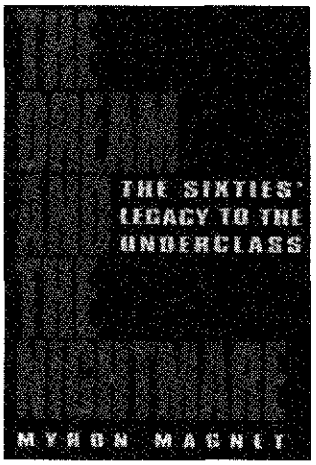

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and caiman add an appropriate touch to the Amazonian display.

Walking a few yards north (no one gets tired in this miniature park-within-a-park) the visitor finds himself in the much milder-looking Temperate Zone, an island lake where entertainment is supplied by a troop of exceedingly lively Japanese snow monkeys. The animals here are less exotic than those of the jungle, but include appealing species such as the red panda, hardly commonplace in Manhattan.

The North Zone, undoubtedly the most spectacular of the park's displays, includes two stunning exhibits. The first is the Polar Circle, where a visitor may watch polar bears, the one exception to the rule against really large animals, swimming under water in a huge glass-walled enclosure, or look down on them from above as they nap or cavort on the adjoining rocks.

An even more beautiful exhibit is the neighboring "Edge of the Pack." Here in the Antarctic a small regiment of penguins stroll about or gather in small groups like operagoers at intermission, while others, offshore, dart through temperature-controlled waters under an ingeniously eerie polar sky.

What was once the Flushing Meadow Zoo reopened early in 1992 as the Queens Wildlife Conservation Center. Though not far from Shea Stadium, it is still unknown to millions of New Yorkers, and deserves more publicity than it has had. Costing little more than a third of the money needed to rehabilitate the Central Park Zoo, even though twice the size, the Queens Zoo may lack the gem-like finish of its Manhattan counterpart but misses none of its essential quality.

The difference between the two parks is thematic. In keeping with the overall design, each unit was to serve a purpose of its own, and while Central Park's was to illustrate animal adaptation to climate, the Queens Zoo would deal with the nature and history of North American animals. With more room, and a shrewd apportioning of its space, it shows bison and elk grazing and running as on a western plain. Bobcats and mountain lions are behind glass so invisible that the viewer scarcely senses the barrier. The lions are particularly striking on this score because of the artificially warmed rocks that lure them out of their dens to do their basking front and center.

Sea lions enjoy a background of waterfalls and rocks, suggesting a handsome segment of California coast, and coyotes can be studied from a covered bridge. Since I visited the park on a snowy day, I missed the botanical displays, but in season visitors will enjoy them—and the changing display of birds. Besides those birds it attracts, there are the sandhill cranes, egrets, and herons to be seen in a marshy area; and Buckminster Fuller's geodesic dome, left over from the 1964 World's Fair, is now a fine and innovative aviary.

Of the remaining environments, all outdoors and without cages, perhaps the most notable is the one that offers playful black bears the pleasures of trees, climbing rocks, and an attentive public. Here and elsewhere throughout the park are graphics so original, instructive, and amusing that they are a source of pleasure to the zoogoer and stand as a hallmark of New York Zoological Society projects. One of these, for example, discusses all manner of facts about bears: how to tell the black from

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the grizzly, why polar bears don't climb and only pregnant females bother to den up in winter. These illuminating signs are charmingly illustrated and make a fine contrast to those of the old-fashioned zoo, which offered only such tidbits of information as, "Leopard (Panthera pardus). Habitat, Africa and Asia. Eats other animals."

Reconstruction of the last of the zoos, in Brooklyn's Prospect Park, will round out the city's zoological pattern when the new animal tenants move in, probably late this summer. Primarily it is planned as a children's zoo. All of the parks already in place include "petting zoos," where sheep, goats, and other small and gentle creatures may be fondled by small and usually gentle humans under the supervision of keepers. But this animal park will be more than that. Its emphasis will be on education, through talks and demonstrations, with supplies on hand, such as pencils, pads, and games for observing and recording how animals do what they do, and why.

Almost everything that these three animal parks will offer is already encompassed by the magnificent International Wildlife Conservation Park (the Bronx Zoo, as its devotees will continue to call it), which has six or seven times the acreage of all the new parks put together. But for impromptu trips to a nearby haven of tranquillity, where adults and children alike may comfortably enjoy contact with nature and the wonders of the animal world, these parks, with their variety of themes, should prove a continuing boon.

Nothing in their availability, however, should diminish the pleasure of periodic visits to the two stars of the galaxy. New Yorkers who have not seen the Bronx Zoo since childhood have yet to see such wonders as the Jungle Walk, where they can amble along a forest path bounded on either side by panthers, crocodiles, and proboscis monkeys. Others might be just as delighted by the vastly changed Aquarium, not long ago the birthplace of two Beluga whales and now the site of Sea Cliffs, an exhibit of coastal environments as long as a football field.

The City of New York is not likely to shave the municipal budget by all these stunning advances in its animal parks. But by greatly enriching its appeal to New Yorkers and tourists alike, while passing along the financial and operational burdens to experts, it can only come out ahead—far ahead. ■

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ADAM P. GLICK

Letting Government Off the Hook

Imagine, if you will, that your son returns home from school with a note from the teacher that reads: "Although Johnny seems to have the ability to handle the material, his poor homework indicates that he lacks the discipline necessary to complete the course. Without a change, he will fail." Do you:

A) Discipline Johnny?
B) Explain to Johnny the importance and rewards of hard work?
C) Make sure that Johnny studies for at least an hour before going out to play?
D) Do Johnny's homework for him?

If you have ever supported the Central Park Conservancy, the Association for a Better New York, the New York City Partnership, the Grand Central Partnership, or the Friends of the Pothole on 96th and Third, you have, in effect, already chosen answer "D." Private associations whose missions entail performing what should be governmental functions essentially do government's homework. They are dangerous.

The Central Park Conservancy is an excellent example of why this is so. New York City knows that the effects of cutting the Parks Department budget will be ameliorated by the Conservancy's strong private support. So the city simply abrogates its responsibility for keeping the park clean and allocates its resources elsewhere. This, of course, is the exact opposite of the way government is supposed to work. Governments are supposed to employ their resources for endeavors that its citizens support, not those they don't.

The Conservancy will argue that this is not the case because the city has agreed to continue giving Central Park the same share of the Parks Department's budget it was getting in the past. The problem with this is twofold. First, it gives a small group of wealthy individuals the power to dictate how funds are allocated within a city department's budget. Second, no part of this agreement prohibits the city from simply lowering the entire Parks Department budget.

And this is exactly what has happened. Since 1989, the Parks Department's budget has been slashed 32 percent in real terms. No other department has been cut anywhere near this level. Parks spending now stands at a paltry 0.44 percent of the total city budget, by far the lowest in the United States. And it has happened because of, rather than in spite of, public support.

Another wolf-in-sheep's-clothing is the business improvement district. This is a private organization through which the same building owners and corporations that complain incessantly that taxes are too high tax themselves even more, in order to take care of problems that the city ignores. They hire their own sanitation workers and security guards to make sure that their private turf is kept clean and safe. That business improvement districts are sprouting up all over the city is due less to the fact that they are a good idea than to the dismal condition of our city streets.

Business improvement districts are a mistake because they allow wealthy owners to opt out of the political process. If a property owner can assure himself that his own interests will be taken care of, how important will it be to him that the rest of the city is maintained properly? A member of a business improvement district who has voluntarily agreed to increase his taxes cannot then become part of the dialogue about appropriate levels of government spending.

The problem is not price, but service. Individuals are fleeing our city not only because their taxes are so high, but because they receive so little in return. High taxes would be tolerated if they were used to pay for an excellent school system, clean streets, safe parks, and efficient and hygienic public transportation. (This, in fact, was the case historically.) But when there is no bang for the buck, high taxes become unacceptable.

Business improvement districts and private associations such as the Central Park Conservancy allow municipal governments to ignore essential services, while spending billions on social programs the public doesn't support. More importantly, they keep the tax dialogue narrowly focused on how high taxes are, instead of on how they are spent.

Is it any wonder Johnny can't read? ■

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